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United Nations Development Programme

Financial report and audited financial statements

for the year ended 31 December 2014

and

Report of the Board of Auditors

United Nations • New York, 2015

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal and certification

Letter dated 30 April 2015 from the Administrator, the Assistant Administrator and Director, Bureau of Management, and the Chief Finance Officer and Comptroller of the United Nations Development Programme addressed to the Chair of the Board of Auditors

Pursuant to financial regulation 26.01, we have the honour to submit the financial statements of the United Nations Development Programme (UNDP) for the financial year ended 31 December 2014, which we hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

We, the undersigned, acknowledge that:

- The management is responsible for the integrity and objectivity of the financial information included in these financial statements.
- The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and include certain amounts that are based on management's best estimates and judgements.
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that overall, policies and procedures are implemented with an appropriate segregation of duties. UNDP internal auditors continually review the accounting and control systems. Further improvements are being implemented in specific areas.
- The management provided the Board of Auditors and UNDP internal auditors with full and free access to all accounting and financial records.
- The recommendations of the Board of Auditors and UNDP internal auditors are reviewed by the management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

We each certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(*Signed*) Helen **Clark**
Administrator

(*Signed*) Jens **Wandel**
Assistant Administrator and Director
Bureau of Management

(*Signed*) Darshak **Shah**
Chief Finance Officer/Comptroller
Bureau of Management

Letter dated 30 June 2015 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Development Programme for the year ended 31 December 2014.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

We have audited the accompanying financial statements of the United Nations Development Programme (UNDP) for the year ended 31 December 2014, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the cash flow statement (statement IV), the statement of comparison of budget and actual amounts (regular resources) (statement V) for the year then ended and the notes to the financial statements.

Responsibility of management for the financial statements

The Administrator is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes an evaluation of the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNDP as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of UNDP that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and Rules of UNDP and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of UNDP.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Chapter II
Long-form report of the Board of Auditors

Key facts	
170	Countries and territories where UNDP operates
$912.32 million	Regular resources final budget allocations for 2014 approved by the Executive Board. Other resources do not fall within the remit of the Executive Board's approved budget
$5.00 billion	Total revenue
$5.31 billion	Total expenses
$6.50 billion	Total assets
$2.32 billion	Total liabilities
	Structural change
$67.8 million	Resources available to be drawn upon for structural change
$25.838 million	Expenses incurred in 2014
$41.96 million	Available budget, if required, for restructuring activities in 2015

Summary

The United Nations Development Programme (UNDP) was established in 1965 by the General Assembly of the United Nations. UNDP partners with entities and people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone. UNDP has its headquarters in New York, but works primarily through its offices in 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

The Board of Auditors has audited the financial statements and reviewed the operations of UNDP for the year ended 31 December 2014. The audit was carried out at UNDP headquarters in New York and through the visits to the country offices in Argentina, Brazil, India, Myanmar, Pakistan and Papua New Guinea.

Scope of the report

The report covers matters that in the opinion of the Board should be brought to the attention of General Assembly and has been discussed with UNDP management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNDP as at 31 December 2014 and its financial performance and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNDP operations under financial regulation 7.5 of the United Nations. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNDP operations. The report also includes commentary on the status of implementation of the Board's previous year's recommendations.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements of UNDP for the period under review as reflected in chapter I.

Overall conclusion

The Board did not identify any significant deficiencies in the preparation and presentation of the financial statements, but noted areas with scope for improvement, including internal controls, compliance with rules and regulations, operations and programme management. Some areas, such as implementation of the revised harmonized approach to cash transfers framework, which was approved in February 2014 and for which compliance is mandatory for all country offices with effect from January 2015, requires accelerated management intervention. Proper guidance and close monitoring is essential to ensure that the revised framework achieves the intended results. Other areas relate to recurring deficiencies on selection and assessment of implementing partners, management of projects, human resources management and information technology.

While the Board recognizes the efforts by UNDP to introduce structural change in 2014, it has recommended some improvements, including establishment of a benefit realization plan for the structural changes and a clear mechanism for handling staff complaints and claims relating to structural changes, as well as plans for team building and for embedding a culture that will motivate and sustain the change. The Board also encourages UNDP to update in a timely fashion its methodology and formula for calculating the operational reserve to accommodate the ongoing structural change, the requirements of IPSAS, current changes in the UNDP risk management framework and changes to UNDP strategic planning.

The Board is of the view that UNDP should address the weaknesses identified by developing an action plan and monitoring its implementation. This approach will minimize operational risks and facilitate the achievement of corporate objectives.

Key findings

The Board highlights the key findings set out below.

Programme and project management

Selection and assessment of implementing partners and management of projects

The Board noted deficiencies in procedures for selecting and assessing implementing partners and the overall management of 38 implementing partners eligible for capacity assessments in all six countries it visited. For example, in Argentina, capacity assessments for all implementing partners were conducted without using a standardized checklist. In Brazil, capacity assessments were not conducted for eight out of nine implementing partners. In India and Pakistan, capacity assessments were not conducted for 16 and 4 eligible implementing partners respectively. The Board considers that the deficiencies are mainly caused by inadequate monitoring by the regional bureaux of the implementing partners in line with the Programme and Operations Policies and Procedures. The absence of comprehensive capacity assessments of the implementing partners limits the ability of UNDP to determine whether project activities will be delivered effectively.

Slow pace in project budget implementation

In two of the six countries visited during the interim audit, in August 2014, project budget utilization was very low, 21 per cent for Argentina and 19 per cent for Brazil. By year end, project budgets were reduced by up to 55 per cent and as a result the utilization rates rose to 78 per cent and 73 per cent in Argentina and Brazil respectively. The Board is of the view that UNDP has to enhance collaboration with programme government counterparts to set realistic targets and budgets, combined with improved monitoring of project implementation. Improvements in utilization rates as a result of budget reductions does not address the issue of slow pace of project implementation, which will ultimately delay completion and closure of projects and affect the ability of UNDP to achieve the desired objectives and outcomes.

Project monitoring and oversight

The Board reviewed project monitoring and oversight arrangements at all six country offices it visited and noted some project implementation deficiencies in the Argentina and Pakistan country offices, which had 122 ongoing projects (budget: $310.8 million). On average, between 9 per cent and 52 per cent of the projects had deficiencies in project governance and oversight, including absence of project progress reports, inadequate meetings of the project board and project appraisal committees, incomplete annual workplans and lack of updating of risk logs in the Atlas system. The Board noted that the deficiencies were mainly due to inadequate monitoring and oversight mechanisms over project activities. With these weaknesses in controls, UNDP may fail to identify deficiencies in the performance of implementing partners and other threats facing projects, which may put project delivery at risk of failure.

Project closure

In the six country offices it visited, the Board noted delays in operational and financial closure of projects. For instance, out of 96 operationally closed projects, 16 projects were operationally closed after the project end date and financial closure of 31 projects was delayed for more than 12 months. The Board also noted that the operationally and financially closed projects lacked vital documents required by the

Programme and Operations Policies and Procedures, including minutes of the steering committee meetings, lessons learned reports, project completion checklists, final combined delivery reports, financial reports, final project review reports, action-oriented reports and reports of transferred assets. Inadequate compliance with procedures for documentation of project closure exposes UNDP to the risk of inadequate assurance over the accuracy of project financial records and project performance, reducing the opportunity for management to learn lessons for the future.

Internal control issues

Update of Programme and Operations Policies and Procedures in line with changing business processes

The policies and procedures in the Programme and Operations Policies and Procedures document, including subprocesses, form part of the guidelines for performing various tasks. The Procedures comprise descriptions, flow charts, policies, templates and forms, user-friendly tools, tips and techniques, and lessons learned from the past. While the Board noted that management had introduced new tools and systems to support business processes and the enhanced results-based management platform, the relevant flowcharts, inputs, procedures and deliverables referred to in the Procedures had not yet been updated to match the new processes. In addition, while each subprocess was designed to provide the document properties, most of the processes and subprocesses in the Procedures have not been reviewed since 2008. The lack of regular updates of policies and procedures in the Procedures will create inconsistencies between the Procedures and the related business processes they are expected to support and may lead to inconsistent working practices and failure to comply with updated procedures.

Human resources management

Performance management and development

UNDP introduced a performance management and development tool in January 2013 aimed at strategic integration of staff performance. As at October 2014, the Atlas system showed that 48 per cent of all staff in the six country offices visited by the Board had not completed either their performance plan or their mid-year review. For those who had completed their plan, their performance plan and assessment results were not adequately used as integral tools for assessing the planned results, competency domains and staff capacity or recognition of staff for delivering the best services. The Board considers that the noted deficiencies were mainly due to lack of adequate oversight mechanisms for monitoring the implementation of performance management and development to ensure that the entity achieves the objectives and benefits intended.

Information communications technology

Assurance on controls at a service organization (International Computing Centre)

UNDP has a service delivery agreement with the International Computing Centre (ICC), a service organization, to provide hosting of the Atlas system, information technology infrastructure and other data processing services. According to International Standard on Assurance Engagements (ISAE) No. 3402, UNDP is

supposed to get audit reports for assurance on the ICC controls and the operating effectiveness of those controls on a yearly basis (an ISAE type II report). However, the ICC review has been performed and reported once in two years and the present agreement between the two entities does not cover the need and frequency of reviews to meet the requirement of ISAE 3402 for the UNDP annual reporting period.

Operational reserve

Methodology and elements considered in calculating regular resources operational reserve and other resources reserve

The UNDP regular resources operational reserve was established in 1979 by its then Governing Council (now Executive Board) to ensure an adequate core liquidity of UNDP by funding the reserve through a defined formula calculated annually on regular resources. In 1999, another resources reserve was established. While over this period UNDP activities have changed substantially, the formula and the methodology for the operating reserve calculation has not been updated to reflect new developments, namely, changes in the accounting framework arising from the implementation of IPSAS, the risk management framework, the strategic plan and the ongoing structural changes. These changes have created a very different environment in UNDP. Reserve policies need to be reviewed regularly to reflect the changing needs of the entity.

Structural change

Benefit-realization plan and monitoring, and communication of staff claims

In 2014, UNDP carried out a structural change process aimed at promoting improvements such as better integration of operations, both functionally and geographically, which is expected to be completed in 2015. The Board noted that UNDP did not have a formal benefit-realization plan for the structural change process. A plan would show how all key aspects of the organization, such as financial, internal process, employee and client services will benefit, as well as cover considerations such as how UNDP will attain, manage and sustain the benefits in the long term. Furthermore, there were no specific mechanisms established for staff to provide feedback on concerns or observations in respect of the change process, despite a clear need for such a mechanism as evidenced by the 300 complaints relating to the structural change process received by the Staff Council Liaison Committee, five such complaints received by the Office of Audit and Investigations and the 16 formal requests for management evaluation reported by the Executive Office. While it is not uncommon to encounter resistance to change, good communication with staff is essential for the success of major change programmes and in this regard the Board has noted that this may have led to the UNDP global staff survey of 2014 showing reduced confidence in senior management. The absence of a benefits-realization plan and the failure to fully engage staff in the change process could endanger the achievement of the change objectives.

Recommendations

The Board has made several recommendations based on its audit that are contained in the body of the present report. The main recommendations are that UNDP:

Selection and assessment of implementing partners and management of projects

(a) **Through the regional bureaux, monitor the assessment of national implementation modality implementing partners in line with the Programme and Operations Policies and Procedures and that all project monitoring activities are carried out and documented;**

Slow pace on project budget implementation

(b) **Collaborate with programme government counterparts to set realistic and attainable project activities and budgets in line with available resources; and monitor implementation progress at the country level to minimize implementation delays and the need to reduce budgets at the year end;**

Project monitoring and oversight

(c) **Prepare quarterly progress reports for projects in a timely manner and perform and document all requirements for project monitoring, including updating risk logs in the Atlas system on a timely basis and conducting all project board meetings;**

Project closure

(d) **Ensure the financial closure of projects is done in a timely manner and that project board meetings are conducted and their minutes recorded, and that all documents required under the Programme and Operations Policies and Procedures, including project completion checklists, final combined delivery reports and final review reports are prepared and that combined delivery reports are certified by the implementing partners;**

Update of the Programme and Operations Policies and Procedures in line with changing business processes

(e) **Introduce timelines and a robust quality assurance process for updates, approval and implementation of the Programme and Operations Policies and Procedures and ensure that the Procedures, IPSAS policies and other applicable guidelines have updated contents according to stipulated timelines;**

Performance management and development

(f) **Through the Office of Human Resources, develop a clear action plan to ensure that performance management and development is used for talent management and assessment of results, competency domains and staff capacity, and country offices introduce an oversight mechanism such that performance management and development and assessments are completed on time and are reviewed and approved by respective managers;**

Assurance on controls at a service organization (International Computing Centre)

(g) **Include in its contractual arrangements with ICC provisions on the need and frequency of the required ISAE audit reports, which will give reasonable assurance to both UNDP and the Board on the operating effectiveness of the ICC controls within the annual financial reporting period;**

Methodology and elements considered in calculating the operational reserve

(h) **Revisit the regular resources operational and other resources reserve calculation methodology and identify possible alternatives, taking into account (i) current UNDP operations; (ii) the current strategic planning and risk management framework; (iii) the impact of the IPSAS framework on the calculation of the reserve; and (iv) the needs arising from the ongoing structural change process;**

Benefit-realization plan and monitoring and communication of staff claims

(i) **Prepare a formal benefit-realization plan for structural change, including lessons learned thus far, and ensure that monitoring mechanisms are used so that long-term benefits are sustained in line with the formal benefit-realization plan;**

(j) **Monitor and address staff complaints, claims or concerns over structural change from all channels, including those from the Staff Council, and facilitate their timely clearance to minimize risks of avoidable disputes with staff and reputational damage to UNDP.**

A. Mandate, scope and methodology

1. UNDP was established in 1965 by the General Assembly. UNDP partners with entities and people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves quality of life for everyone. UNDP has its headquarters in New York, but works primarily through its offices in 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

2. The Board of Auditors has audited the financial statements and reviewed the operations of UNDP for the year ended 31 December 2014 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNDP as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of UNDP. The audit included a general review of financial systems and internal controls and testing of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNDP operations under financial regulation 7.5 of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system and the internal financial controls and, in general, the administration and management of UNDP operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report to it accordingly. Those matters are addressed in the relevant sections of the present report and the summary of the results is included in annex I to the present chapter.

5. The Board performed the annual audit of the regular resources of the UNDP-Global Environment Facility Trust Fund. The Board issued an unqualified audit opinion for the year ended 31 December 2014.

6. The Board coordinates with the UNDP Office of Audit and Investigations in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that can be placed on the work of the Office. The present report relates to audits performed at the country offices visited by the Board and UNDP headquarters.

7. When observations in the present report refer to specific locations, such observations are limited to the locations specified. The observations do not in any way imply that they are applicable to other locations. Some recommendations, however, are addressed to the entire organization where the nature of the findings suggests that they may be common to other UNDP offices and will benefit from transversal remedial actions.

8. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNDP management, whose comments have been appropriately considered in the report.

B. Findings and recommendations

1. Follow-up of recommendations from previous years

9. The Board reviewed a total of 81 recommendations from previous years from 2010/11 to 31 December 2013 and noted that 74 recommendations (91 per cent) were fully implemented, while seven recommendations (9 per cent) were under implementation. Details of the status of implementation of those recommendations are shown in annex I. The Board considers that this represents an improvement compared with previous implementation rates. In 2013, 58 per cent of recommendations were fully implemented and 42 per cent were under implementation.

10. The Board noted that nine of its recommendations under implementation require UNDP to finalize some activities before they may be considered as fully implemented. Those recommendations were on management of project workplans; weaknesses in project monitoring and implementation pending donor refunds; review of Atlas payroll; and exceptional approval of advance leave. The Board is of the view that as recommendations from prior years are under implementation, similar findings may recur in future audits, which is an indication that controls under these areas need to be strengthened.

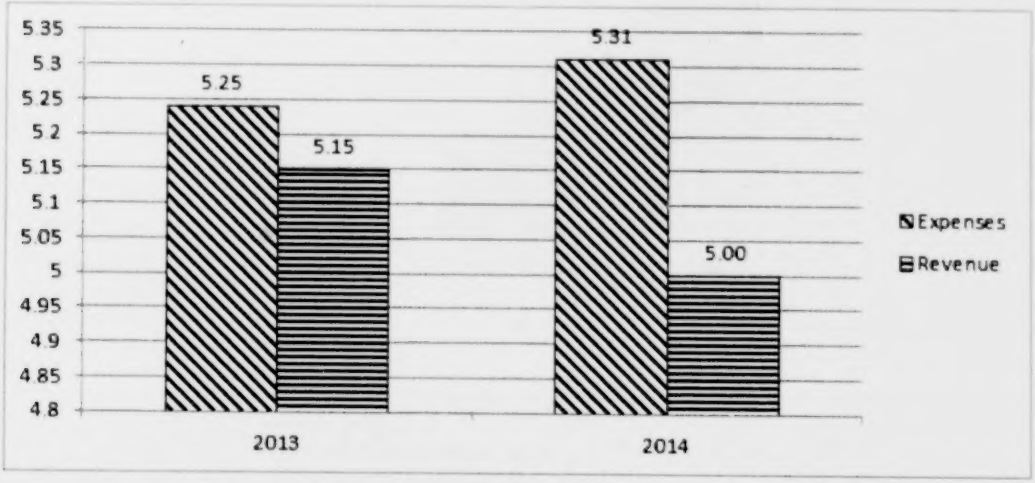
2. Financial overview

Revenue and expenses

11. UNDP revenue includes regular resources (core funds), other resources (non-core funds), investment revenue and other revenue. During the period under review, total revenue amounted to $5.0 billion, compared with $5.15 billion for the previous period, a decrease of 2.9 per cent. Total expenses amounted to $5.31 billion, compared with $5.25 billion for the previous year, an increase of 1.1 per cent. In 2014, UNDP had a deficit of expenses over revenue of $0.31 billion, compared with a deficit of $0.1 billion in the previous period.

12. Overall, UNDP had cash and investments totalling $5.90 billion as at 31 December 2014 (2013: $6.03 billion). Total liabilities as at 31 December 2014 were $2.32 billion. In accordance with the Financial Regulations and Rules approved by its Executive Board, UNDP held $352.64 million in reserves and $3.83 billion as accumulated surplus. Total revenue and expenses for the financial periods 2013 and 2014 are shown in figure II.I.

Figure II.I
Revenue and expenses
(Billions of United States dollars)



Source: Analysis by the Board of Auditors of UNDP financial statements for the periods ended 31 December 2013 and 31 December 2014.

Notes:

1. The current year deficit is being funded from the unspent balances of accumulated surpluses from prior years.
2. Graph not to scale.

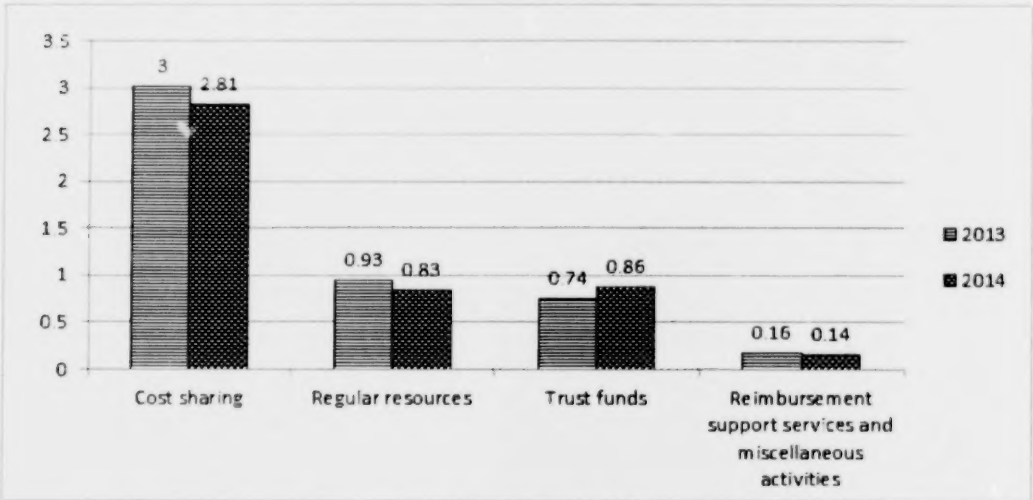
13. The decrease in revenue by $0.15 billion or 2.9 per cent was mainly caused by a decrease in contributions and investment income; while an increase in expenses by $0.06 billion or 1.1 per cent was a result of increase in staff costs, supplies and consumables, general operating expenses, depreciation and amortization.

Revenue

14. UNDP revenue includes voluntary contributions, revenue arising from exchange transactions (revenue generated by exchange of goods or services), investment revenue and other revenue. During the year under review, voluntary contributions amounted to $4.64 billion (2013: $4.84 billion), representing 93 per cent of the total revenue for the year. The amount included the following: cost-sharing, $2.81 billion (60 per cent); regular resources, $0.83 billion (18 per cent); trust funds, $0.86 billion (19 per cent); and $0.14 billion (3 per cent) from reimbursement support services and miscellaneous activities.

Comparative contributions for regular and other resources for 2013 and 2014 are shown in figure II.H.

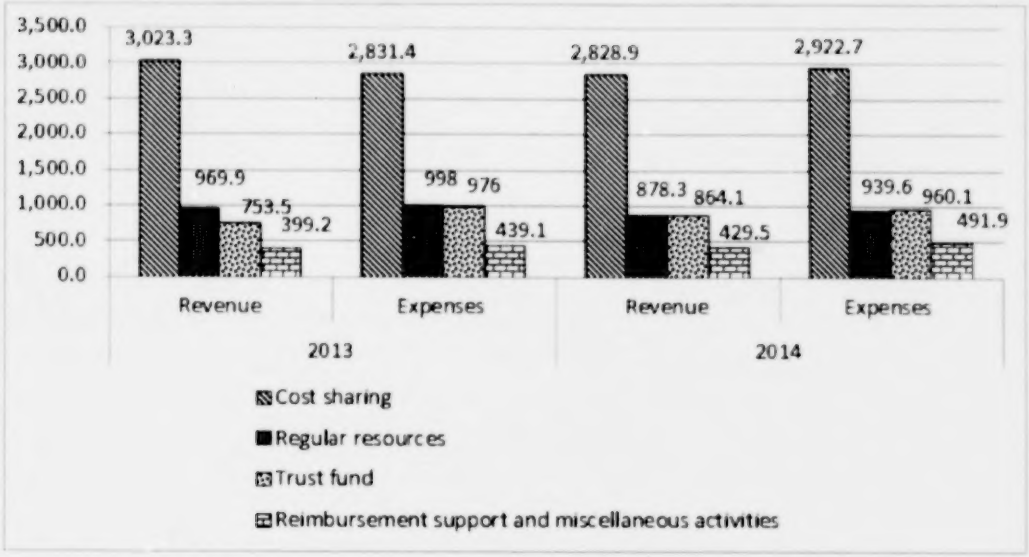
Figure II.H
Contributions for regular and other resources
(Billions of United States dollars)



Source: UNDP financial statements for the periods ended 31 December 2013 and 31 December 2014.

15. The analysis of UNDP revenue and expenses by segment for 2014 compared with 2013 is shown in figure II.III below. The analysis shows an inconsistent pattern, for instance in 2014 all revenue segments were lower than expenses while in 2013 revenue from cost sharing was higher than expenses and revenues for other segments were lower than expenses.

Figure II.III
Revenue and expenses by segment, 2014



Source: UNDP financial statements for the periods ended 31 December 2013 and 31 December 2014.
Note: The current year deficit is being funded from the unspent balances of accumulated surpluses from prior years.

Ratio analysis

16. The analysis in table II.1 below reflects that UNDP has sufficient assets to meet its short- and long-term liabilities and has a high level of liquidity. UNDP cash and investments of $5.90 billion (2013: $6.03 billion) continue to provide a high level of liquidity despite the slight decrease in current assets, cash, total assets to liabilities and quick ratios compared with 2013. The decrease in ratios in 2014 is mainly due to the decrease in revenue from contributions, while the quick ratio decreased as a result of the change of investment strategy by investing in longer rather than shorter term maturities.

Table II.1
Ratio analysis

Description	*31 December 2014*	*31 December 2013*
Current ratio[a]		
Current assets: current liabilities	3.62	4.42
Total assets: total liabilities[b]		
Assets: liabilities	2.81	3.37
Cash ratio[c]		
Cash + investments: current liabilities	3.12	3.86
Quick ratio[d]		
Cash + investments + accounts receivable: current liabilities	3.34	4.09

Source: Analysis by the Board of Auditors of UNDP financial statements for the period ended 31 December 2014.

[a] Current ratio: a high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] Total assets to total liabilities: a high ratio is a good indicator of solvency.

[c] Cash ratio: the cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents and invested funds there are in current assets to cover current liabilities.

[d] Quick ratio: the quick ratio is more conservative than the current ratio because it excludes inventories and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

3. Post implementation of International Public Sector Accounting Standards

17. UNDP is reporting for the third year under IPSAS and the Board noted that its implementation of IPSAS is progressing well, despite identifying a few areas with scope for improvement as presented in subsequent paragraphs. When adopting IPSAS in 2012, UNDP invoked transitional provisions under IPSAS 17 for development project assets related to the period before 2012, while project assets acquired from 1 January 2012 onwards were capitalized. The assets under the transitional provisions were supposed to be capitalized from 1 January 2015. The Board noted that the required testing and validation of the asset data uploads in the Atlas system for 2,806 pre-2012 development project assets (cost: $44.33 million) were all completed by 13 March 2015. Furthermore, with effect from 1 January 2014, the asset capitalization threshold was increased from $500 to $1,500. The change is aimed at bringing the UNDP accounting policy in line with other United Nations entities, as well as enhancing recording of assets in compliance with IPSAS. The change was applied retrospectively and 2013 comparative information was restated.

18. The few areas with scope for improvement include:

Pending milestones under the International Public Sector Accounting Standards dashboard

19. The provisions of the Programme and Operations Policies and Procedures on monitoring of pending milestones require country offices, business units and operating units to regularly review contribution agreements based on pending milestones and proactively to follow up with donors on milestones with expired due dates. The 2014 year-end closing instructions require offices to clear past-due

milestones by either uploading relevant documents in the Document Management System for processing by the Global Shared Service Centre if the milestone has been met, or by indicating the revised milestone estimated completion date, and to certify that there are no past-due milestones with an estimated completion date in 2014.

20. The Board reviewed the IPSAS dashboard on pending milestones on 15 May 2015 and noted that UNDP had pending milestone amounts with estimated completion dates ranging from 20 June 2012 to 31 December 2014 as follows: 450,000 Swiss francs; 10,543 Danish krone; 11.42 million euros; 1.6 million pounds sterling; 5 million Norwegian krone and 3.23 million United States dollars. This indicates that the milestones were not cleared as required under the year-end closure instructions.

21. The Board noted that pending milestones were mainly caused by inadequate management review and follow-up of the pending transactions. For example, a final tranche equivalent to $0.18 million under a contract already cancelled by a donor was disclosed as a future receivable in 2014 in a country office, based on an explanation that the Global Shared Service Centre was awaiting a written notification from the donor on its intention to cancel the funding. In another case, a final instalment of $1.48 million from a donor was pending recognition since 2014 because the contract was amended and UNDP headquarters had not submitted the transaction to the Global Shared Service Centre for processing. The Board is concerned that year-end closure instructions were not complied with, since country offices were required to certify by 30 January 2015 that there were no past-due milestones with 2014 estimated completion dates.

22. Management attributed delays in updating pending milestones to time lags in finalizing discussions with donors. The Board considers that management must enhance follow-up with the country offices and headquarters units to ensure timely clearance of pending milestones, because they increase the risk that revenue may be inaccurately and incompletely recorded in the financial statements.

23. **UNDP agreed with the Board's recommendations to (a) ensure at year-end that country offices and headquarters units review the report of contracts with pending milestones and, for any identified issue, communicate with the Global Shared Service Centre through the Document Management System and update the status accordingly; and (b) follow up with the country offices and headquarters units so that milestones pending from previous years (2011-2014) are cleared without further delay.**

Contributions not received

24. The IPSAS dashboard is a management tool to help country offices monitor contributions that are not received. From a review of the dashboard the Board noted that amounts of $0.38 million, $2.84 million and $2.93 million had been outstanding since December 2011, December 2012 and December 2013 respectively. Despite having these long outstanding receivable balances since 2011, no assessments were done to determine the need for provision of allowances for doubtful debts.

25. UNDP attributed the matter to delays in project implementation and in receiving written instructions from donors. The Board is concerned that the country offices and headquarters units had an obligation to closely monitor, follow up and

report on outstanding accounts receivables in line with the requirements of the Programme and Operations Policies and Procedures, but UNDP was unable to provide evidence on whether management had reviewed the outstanding accounts receivable and confirmed that they remained valid as required under the Procedures.

26. The Board is of the view that failure to review aged contributions for evidence of impairment could distort the fair presentation of receivable balances.

27. **UNDP agreed with the Board's recommendations to (a) request country offices to promptly follow up on all outstanding balances with donors and notify the Global Shared Service Centre of any changes to the schedules of payments that are required under existing procedures; (b) assess and maintain evidence of follow-up with donors for long outstanding receivables; and (c) assess aged receivables and record impairment for cases where the donor's ability to pay is doubtful in accordance with UNDP policy.**

4. Programme and project management

Review of United Nations Development Assistance Framework and approval of country programme action plan

28. The Board reviewed the United Nations Development Assistance Framework and noted discrepancies at two out of the six country offices it visited. In Papua New Guinea, the inter-agency national indicators and the baselines for one project in the Framework action plan for the period 2011-2014 were not clearly stated. The plan indicates, inter alia, that baselines will be determined at future dates and there were no statistical data. In addition, 50 inter-agency outcome indicators[1] were missing in the Framework joint action plan and 20 baselines were still marked as "to be determined". Without baselines and indicators it is difficult to measure results and the progress against milestones to deliver project goals. The country office acknowledged the discrepancy and explained that UNDP was in the process of revising the Framework action plans and the joint annual workplan for improvements before the next programme cycle.

29. In the Brazil country office, the Board noted that the United Nations Development Assistance Framework covering the period 2012-2015 had not yet been reviewed by the United Nations country team, which was contrary to paragraph six of the Brazil Development Assistance Framework. The country team needs to design the annual review processes for the Framework taking into consideration the balance between time and opportunity costs and concrete results for programmes. The annual review of the Framework is crucial for the country team and partners to make decisions based on evidence of results that will enhance subsequent performance. In addition, the country programme action plan for 2012-2015 was signed by the Government of Brazil and the UNDP country office on 25 September 2014, representing a delay of more than three years. The country office explained that the Government had requested more time for consultation and review of the action plan before its endorsement. Non-endorsement of the country programme action plan and the Development Assistance Framework has a negative impact in terms of the country's ownership, responsibility for the contents and implementation.

[1] Country offices operate under "One United Nations"; these represent indicators cutting across United Nations agencies in the country.

30. **UNDP agreed with Board recommendations that (a) the Papua New Guinea country office, in collaboration with the United Nations country team, should provide the missing information on national indicators, source of data, baselines and assumptions; and (b) an annual review of the United Nations Development Assistance Framework for Brazil be carried out in 2015 and the country office pursue timely signing of the country programme action plan by the Government.**

Selection and assessment of implementing partners and management of projects under the national implementation modality

31. The Programme and Operations Policies and Procedures require UNDP to assess the technical, managerial, administrative and financial capacity of implementing partners to determine the modality to be used for transferring project funds, carry out field visits for project reviews, facilitate meetings with project boards and project appraisal committees and ensure that requirements for progress reports for all projects under the national implementation modality are complied with.

32. The Board reviewed procedures used in selection and assessment of 38 implementing partners with ongoing projects at four country offices visited and noted the following deficiencies:

(a) At the Argentina country office, capacity assessments were conducted without using the standard checklist for all implementing partners. As a result of this omission, specific assessments of implementing partners was not carried out in areas of managerial, technical, administrative and financial management capacities. This increased the risk of engaging an implementing partner that lacked the requisite capacity. In addition, meetings of the project appraisal committee and project board were not conducted in respect of 3 out of 10 implementing partners reviewed; field visits were not conducted for seven projects; and a project review was not done for one project;

(b) At the Brazil country office, capacity assessments were not conducted for eight out of nine implementing partners reviewed; minutes of the project appraisal committee were missing for five projects; field visits were not conducted for four projects in 2014; and project reviews were not done for three projects in 2014;

(c) At the India country office, capacity assessments of 16 national implementation modality implementing partners were not performed;

(d) At the Pakistan country office, capacity assessments of four implementing partners were not performed.

33. The Board considers that inadequate and unstandardized implementing partner capacity assessments, absence of regular project appraisal committee meetings and inadequate or delayed field visits to projects increase the risks of inadequate financial and operational project delivery by implementing partners. In addition, in the absence of proper implementing partner assessment, management may not be able to detect and correct project shortcomings in a timely manner and, as a result, completion of project activities could be at risk. The Board is of the view that the deficiencies were mainly caused by inadequate or delayed monitoring of the national implementation modality implementing partners by regional bureaux contrary to the Programme and Operations Policies and Procedures.

34. **UNDP agreed with the Board's recommendation to ensure that regional bureaux monitor the assessment of national implementation modality implementing partners in line with the Programme and Operations Policies and Procedures and that all project monitoring activities are carried out and documented.**

Audits of projects under the national implementation modality

35. The Argentina country office had a total of 101 ongoing national implementation modality projects with an annual budget of $513.3 million for the year ended 31 December 2013, which were due for audit on 30 April 2014. Of these, 71 national implementation modality projects with expenses amounting to $294.87 million were planned to be audited for the respective year (2013). UNDP engaged the Supreme Audit Institution of Argentina to audit 11 projects and three private audit firms were engaged to audit 60 projects. The Board noted that of the 71 projects planned for audit, only 64 projects were audited, with total expenses of $212.74 million representing 72 per cent of the budgeted amount. The Board found that there were no signed terms of reference between UNDP and the Supreme Audit Institution of Argentina, contrary to the national implementation modality/non-governmental organization (NGO) audit guidelines issued by the Office of Audit and Investigations.

36. The Brazil country office had 147 ongoing projects (budget: $260 million) in 2013, and the Supreme Audit Institution of Brazil was engaged to audit 34 national implementation modality projects out of the total country projects. The Board noted, however, that the terms of reference for the national implementation modality audit between the Supreme Audit Institution of Brazil and UNDP were in draft form and were not in the standard format provided by the Office of Audit and Investigations, and that the capacity assessment for the Institution was not performed as required by national implementation modality audit guidelines.

37. The Board is of the view that non-compliance with guidelines and failure to use the standardized terms of reference for national implementation modality audits inhibit proper understanding of the audit scope, roles and responsibilities between UNDP and the national implementation modality project auditors.

38. **UNDP agreed with the Board recommendation that the Argentina and Brazil country offices (a) use updated terms of reference for national implementation modality auditors; and (b) conduct capacity assessments of government auditors in accordance with headquarters guidelines.**

Slow pace of project budget implementation

39. In its previous report (A/69/5/Add.1), the Board raised concern about the slow pace of project budget implementation.

40. The Board visited six country offices, which had 341 ongoing projects with a total budget of $922.4 million. During the interim audit, in August 2014, the project delivery rates for three of the visited country offices (Argentina, Brazil and Papua New Guinea) were 21 per cent, 19 per cent and 48 per cent respectively. The Budgets for the projects in Argentina and Brazil, however, were reduced at year end and, as a result, the project delivery rates increased to 78 per cent and 72 per cent respectively, while the delivery rate for Papua New Guinea remained low, at 59 per cent. A summary of project budget delivery is shown in table II.2 below.

Table II.2
Project budget utilization in 2014

Country office	Ongoing projects	Project budget (United States dollars) At interim audit (31 August 2014)	Project budget (United States dollars) Revised (31 December 2014)	Total budget utilization (United States dollars) 31 August 2014	Total budget utilization (United States dollars) Based on revised budget (31 December 2014)	Percentage of utilization 31 August 2014	Percentage of utilization Based on revised budget (31 December 2014)
Argentina	101	513 309 490	279 464 400	107 792 222	218 136 357	21	78
Brazil	147	259 989 904	117 396 767	49 021 479	85 060 993	19	72
Papua New Guinea	17	12 634 272	13 196 820	6 040 433	7 746 675	48	59
Total	**265**	**785 933 666**	**410 057 987**	**162 854 134**	**310 944 025**	**21**	**76**

Source: Audit analysis of project budget utilization based on Atlas system and executive snapshots as at August 2014 and December 2014.

41. UNDP stated that the projects in Argentina and Brazil were mostly funded and implemented by the respective Governments, which do not allow country offices to roll over unspent project funds. This necessitated extending the project life cycles in order to adjust budget amounts according to expenditure incurred and reprogramme fund balances into the subsequent years. The delays in project implementation were mainly caused by the time taken to complete project procurement procedures. The Board, however, considers that delays indicate insufficient monitoring of projects during implementation which impairs the completion and closure of the projects. Project budgets need to be more realistic and attainable within a specified period in line with available resources and government requirements so as to avoid significant project budget reduction at year end.

42. **UNDP agreed with the Board's recommendations that the Argentina, Brazil and Papua New Guinea country offices collaborate with programme government counterparts to set realistic and attainable project activities and budgets in line with available resources and monitor progress in implementation at the country level so as to minimize implementation delays and the need to reduce budgets at year end.**

Lack of resource mobilization implementation plan

43. The Programme and Operations Policies and Procedures require country offices to prepare the resource mobilization strategy and its implementation plan as stipulated and guided in the resource mobilization toolkit.

44. The Board noted that the Argentina country office had prepared and approved the resource mobilization strategy, but had not yet prepared the resource mobilization implementation plan to sensitize the donors identified in the strategy.

45. The Board noted that the lack of a focused approach on resource mobilization had affected the country office's capacity to deliver projects. For instance, three projects with a total budget of $174.32 million scheduled to be implemented between 2011 and 2013 had not been implemented at the time of the Board's visit (October 2014). Management explained that the Government had no funds for those

particular years and that in future decisions will be made to cancel or reschedule the projects based on the discussions with the donor (the Government).

46. The Board recognizes management efforts to mobilize resources from donors, specifically the Government of Argentina, but is of the view that lack of a resource mobilization implementation plan may jeopardize the financial sustainability of the office.

47. **UNDP agreed with the Board's recommendation that country offices prepare resource mobilization implementation plans in compliance with the guidelines established in the resource mobilization toolkit.**

Certification of the combined delivery reports

48. In its previous reports in 2013 (A/69/5/Add.1) and 2012 (A/68/5/Add.1), the Board raised concern that UNDP and implementing partners were not signing the combined delivery reports according to requirements under the Programme and Operations Policies and Procedures. The Board reviewed project documents relating to 113 projects (226 combined delivery reports) and 114 projects (228 combined delivery reports) for the first and second quarters respectively, in the six country offices it visited. At four country offices, the Board continued to note the same deficiency of delays in signing combined delivery reports in 2014. A total of 89 first quarter combined delivery reports and 90 second quarter combined delivery reports had due dates of April and July respectively; however, these reports were signed after delays of between three and five months. In addition, 61 combined delivery reports for the first and second quarters were not dated to indicate the date they were actually signed.

49. Management attributed the delay in certification and signing of combined delivery reports to the need to send these reports for national implementation modality projects to implementing partners on a biannual basis, in accordance with the project cycle and operations manual for these projects. The Board is of the view that delay in certification and signing of the combined delivery reports by country offices and implementing partners increases the risk that misstatements in previous periods, including incorrect postings of expenditure information into Atlas, will not be corrected in a timely manner, consequently affecting project expenditure in the financial statements. In addition, delays in combined delivery report certifications may result in recording incorrect project expenditure.

50. **The Board reiterates its previous recommendation that UNDP submit the combined delivery reports in a timely manner, duly signed by UNDP and implementing partners in compliance with the Programme and Operations Policies and Procedures.**

Project monitoring, oversight and reporting

51. The Programme and Operations Policies and Procedures require that, based on the initial risk analysis submitted to the local project appraisal committee, the risk logs previously activated in the Atlas system (in the process of defining a project) should be regularly updated by the project manager to reassess the status of existing risks. The Board reviewed project monitoring activities and documentation in the Atlas system at the Argentina and Pakistan country offices and noted the information presented in the following paragraphs.

52. At the Argentina country office, nine projects (utilization: $4.85 million) out of 101 ongoing projects (budget: $258 million, and utilization: $218.14 million) showed anomalies such as failure to convene project board meetings for six projects; risk logs in the Atlas system were not updated in 2014 for four projects; and five other projects had incorrect risk status and issue logs in 2014. The nine projects with deficiencies were equivalent to 9 per cent of 101 ongoing projects.

53. The Pakistan country office had 21 ongoing projects (budget: $52.80 million, and utilization: $44.64 million). The review of monitoring and oversight procedures for the 21 ongoing projects showed that 11 projects (52 per cent) had no quarterly progress reports for the first and second quarters and 21 projects had incomplete risk and issue logs in 2014. The office explained the deficiency as an oversight in the monitoring of projects.

54. In the absence of progress reports and delays in updating the risk logs, management may fail to identify and mitigate project risks on a timely basis.

55. **UNDP agreed with the Board's recommendations that country offices (a) prepare progress reports for all projects in a timely manner; and (b) perform and document all requirements for project monitoring, including updating risks logs in the Atlas system and conducting project board meetings.**

Project closure

56. In its previous reports, the Board raised concern about delays in financial closure and operational closure of projects. The Board reviewed closed projects in 2014 at all the country offices it visited and noted the following deficiencies:

(a) The country offices had 96 operationally closed projects; however, 16 of those projects were operationally closed after the project end dates, and financial closure of 31 projects was delayed for more than 12 months after the operational closure dates;

(b) The 49 financially closed projects reviewed included 35 that were financially closed with a delay of 12 months after the operational closure dates;

(c) At the Myanmar country office, six of the reviewed projects were supposed to be operationally closed but were marked as ongoing in the Atlas system. These projects did not have minutes of project board meetings, lessons learned reports, final project review reports and project completion checklists;

(d) At the India country office, there were 44 and 9 operationally and financially closed projects respectively. The Board noted various discrepancies, including 17 projects that did not have final review reports and operationally closed projects that had no minutes of project board or steering committees meetings held before the projects were declared financially closed. In addition, 17 projects had no lessons learned reports and six projects had no evaluation reports. Nine projects had fund balances of $0.65 million for more than 10 months after the operational closure of these projects;

(e) At the Pakistan country office, the 15 operationally closed and 21 financially closed projects reviewed by the Board showed that seven operationally closed projects had no project review reports; eight projects had no final review reports; eight out of 15 operationally closed projects had no lessons learned reports; seven out of 15 operationally closed projects had no evaluation

reports; project review reports for seven out of eight projects did not have the names of the preparer and reviewer, dates or signatures; 11 closed projects had no project board minutes of the meetings before the projects were declared closed; five projects had fund balances of $0.35 million since they were operationally closed; five projects had a negative fund balance of $0.95 million; one project had a fund balance of $0.34 million that was pending to be refunded to donors or to be reprogrammed with the consent of the donors; and two projects had no final combined delivery reports or explanations as to why they were reopened after being financially closed;

(f) At the Brazil country office, five operationally closed projects and 23 financially closed projects reviewed by the Board showed various discrepancies including: five projects that were operationally closed since 2012/13 had delayed financial closure for more than 12 months; five projects did not have final signed combined delivery reports; and four projects were missing final project review reports, evaluation reports, project completion checklists, minutes of project board meetings and project balance reports. Further, of the 23 financially closed projects, project completion checklists were missing for seven projects; minutes of project board meetings were missing for six projects; and action-oriented reports were missing for seven projects;

(g) At the Argentina country office, the review of 21 operationally closed projects and 20 financially closed projects revealed deficiencies including missing signed combined delivery reports for two operationally closed projects; and for financially closed projects, final financial reports were not prepared for 18 projects; reports of assets transferred were not prepared for 17 projects; and seven projects were financially closed more than 12welve months after their operational closure.

57. The country offices acknowledged the shortcomings related to delayed processes for closure of projects and related documentation of final reviews. In addition, management explained that in 2014 it had piloted a new project quality assurance system aimed at improving compliance by country offices with UNDP guidelines, requirements and documentation throughout the project life cycle. A phased roll-out of the project quality assurance system is planned to continue through 2015 and it will become prescriptive in 2016.

58. The Board considers that the delay in closing projects and the absence of finalization of combined delivery reports, financial reports and asset transfers, exposes UNDP to the risk of failing to realize project benefits through lessons learned. It also increases the risk that UNDP does not obtain the necessary assurance that all financial obligations have been settled or that project deliverables have been attained satisfactorily.

59. **UNDP agreed with the Board recommendations to (a) exert more effort to financially close all projects that are in operationally closed status for more than 12 months; (b) ensure that appropriate project completion checklists are completed, final combined delivery reports for financial closure of projects are generated and certified in a timely fashion by responsible parties and final review reports are prepared consistently for operationally closed projects; (c) ensure project board meetings are conducted in a timely manner and projects are evaluated as planned, reconciliations of expenditure are certified and lesson learned reports are prepared in a timely manner; and (d) make efforts to refund amounts due to donors in line with the Programme and Operations Policies and Procedures and donor agreements.**

5. Harmonized approach to cash transfers framework

Preparations for implementation of the revised harmonized approach to cash transfers framework

60. The revised harmonized approach to cash transfers framework (2014) superseded the previous framework adopted in 2005. The new framework was developed with the objectives of improving its effectiveness; streamlining agency practices and reducing the burden on implementing partners and agencies; clarifying guidelines or developing additional guidelines to support consistent implementation of the framework; and addressing issues and recommendations identified in recent assessments of the framework prepared by various United Nations agencies.

61. The Board noted that, of the two country offices (India and Pakistan) that were compliant with the harmonized approach to cash transfers framework, it was only the Pakistan country office that had an assurance plan, although the plan was not comprehensive as it missed important details on jointly implemented projects and microassessments and was not in line with the recommended template in the Programme and Operations Policies and Procedures. In addition, the assurance plan was yet to be endorsed by the joint harmonized approach to cash transfers working group. The Board also noted that the countries office it visited had different programmatic cycles, which are crucial in implementation of the framework. Two other country offices (Argentina and Brazil) were exempted for implementation of the harmonized approach to cash transfers in 2014.

62. The variations in the level of compliance by country offices with the old harmonized approach to cash transfers framework and the absence of an assurance plan may lead to difficulties in achieving the intended objectives, taking into consideration that compliance with the revised framework is mandatory for all country offices from January 2015. This increases the risk that challenges experienced in the implementation of the previous framework might continue in the future.

63. **UNDP agreed with the Board's recommendations that (a) all country offices develop and implement comprehensive harmonized approach to cash transfers assurance plans for performing macro- and microassessments in a timely manner, considering their programmatic cycles; and (b) whenever there is a shared implementing partner, the joint harmonized approach to cash transfers working groups should develop a comprehensive joint assurance plan that will cover all components highlighted in the Programme and Operations Policies and Procedures.**

6. Internal control issues

Update of the Programme and Operations Policies and Procedures in line with changing business processes

64. The Programme and Operations Policies and Procedures outline fundamental policies and procedures relating to a number of functional areas, such as administrative services, contracts and procurement, financial resources, human resources, information and communications technology and programmes.

65. The Board reviewed the contents of the Programme and Operations Policies and Procedures in October 2014 and May 2015 on the UNDP intranet, including subprocesses that aimed to explain in detail how to perform tasks.

66. The Board noted that the contents of the Programme and Operations Policies and Procedures (under flowcharts, inputs, procedures and deliverables) have not been updated despite some changed business processes from 2013, for example the introduction of new ways of performing tasks such as the new tools and systems assisting the processes in the integrated workplan platform and enhanced results-based management, change control and release-management standards. In addition, each subprocess is designed to provide the document properties, that is, information about the document itself such as the history of approved regulations, issue date, rules and policies. However, most of the processes and subprocesses in the Programme and Operations Policies and Procedures have not been reviewed since their published dates (some are as old as 2008 prior to the introduction of IPSAS) and their planned review dates are long overdue.

67. The Board considers that the lack of regular updates will create inconsistency between the procedures and the related business processes they are expected to support. The Board remains concerned that without regular updates of the policies and procedures in the Programme and Operations Policies and Procedures in line with changing business processes, UNDP may not achieve the objective of ensuring consistency and coherence of its procedures with related business processes.

68. **UNDP agreed with the Board's recommendation to (a) introduce timelines and a robust quality assurance process for updates, approval and implementation of the Programme and Operations Policies and Procedures; and (b) ensure that the Programme and Operations Policies and Procedures, IPSAS policies and other applicable guidelines have updated contents in line with stipulated timelines.**

Segregation of duties

69. From the review of the UNDP internal control framework on segregation of duties, bank reconciliation statements, approved bank signatories and inventory certification reports at the country offices visited, the Board noted instances of lack of segregation of duties at two of the offices contrary to the framework.

70. The internal control framework requires that a staff member who prepares the bank reconciliation should not be a bank signatory and should not have the right to approve vouchers or vendors in the Atlas system. At the Papua New Guinea country office, however, bank reconciliations for two accounts from January to August 2014 were prepared by one of the UNDP bank account signatories. The country office attributed the discrepancy to an inadequate number of staff at the office. They informed the Board that the recruitment process to fill vacant posts had started, as had reassigning roles and functions in the Atlas system for proper segregation of duties.

71. In addition, the Board noted that three staff, including the Physical Verification Coordinator, had participated in the physical verification of assets conducted on 27 June 2014, contrary to requirements under the internal control framework, which requires that the fixed assets physical verification coordinator must not be the assets focal point. At the Papua New Guinea country office, management stated that assigning the asset focal point to the assets verification team was an oversight.

72. At the Pakistan country office, the Board reviewed the attendance records cards of 32 out of 72 staff and noted that staff were acting in the capacity of both supervisor and leave monitor by signing their own leave balances. In addition, two staff acted as monitors of their own leave by signing on in the capacity of leave monitor and human resource focal point. Management explained that the attendance cards should be properly signed and dated in accordance with guidelines and acknowledged that the anomalies had occurred as inadvertent human errors.

73. The Board did not find any evidence of fraud through non-compliance with the internal control framework, but it is concerned that the lack of segregation of duties between account signatories and preparers of bank reconciliations may result in misappropriation of funds that management may not detect. In addition, assigning the responsibilities of both management and physical verification of assets to the same person will compromise the effectiveness and accuracy of results from physical counts. Monitoring controls also failed to prevent one person from exercising both a supervisory and leave monitoring role for the same transaction.

74. **UNDP agreed with the Board's recommendation to ensure that country offices comply with the segregation of duties for bank reconciliation, asset management and leave management in line with the internal control framework.**

7. Human resources management

Management of service contracts

75. Section 4.2 of the service contracts user guide restricts the use of the service contract modality in performing core functions (for instance, functions that are of a continuing nature and are part of the central work of UNDP, except support services that would normally be outsourced to a company and functions that are within the development project context). The Board found two cases out of 31 service contracts at two of the country offices it visited where staff recruited under a service contract agreement were performing core functions (a finance associate and a human resources associate) in 2014 for periods ranging from 2 to 12 months contrary to the guidance.

76. Management stated that the service contracts were used to provide support services for projects and not meant for core functions, but a generic template of terms of reference was used for sourcing the service contracts and fixed-term appointments. The Board is concerned that the use of generic terms of reference creates confusion and an unclear demarcation of the duties to be performed by both the holders of service contracts and staff on fixed-term appointments.

77. Furthermore, the Board considers that core functions should not be performed by service contract personnel, as they divert management focus from building internal capacity, which is a more sustainable solution.

78. **UNDP agreed with the Board's recommendation to (a) adhere to the service contracts user guide on the proper use of service contracts by ensuring that holders of service contracts are recruited only for those functions and duties as stipulated in the user guide; and (b) amend the terms of service contracts to define clearly the support functions and duties of those contracts.**

Performance management and development

79. UNDP introduced a new performance management and development platform in January 2013 to replace the old system known as "results and competency assessments". The new platform is aimed at facilitating a strategic integration of individual performance planning and assessments, improving the triangular relationship between planned results, competency domains and staff capacity and ensuring a review of talent management and recognition of staff for delivery of best services. Performance management and development is supported by a tool in the Atlas system, covering three stages (performance plan, mid-year feedback and year end assessment).

80. In April 2013, the Bureau of Management issued a guidance note to all managers on how to use the new platform effectively to strengthen management and to ensure dialogue between managers and staff. Pursuant to the guidance, in January/February of each year the year-end performance assessments for the previous year and the performance plans for the following year must be completed. In June/July, a mid-year review and feedback must be done; for all three stages, dialogue is required to be a central element.

81. Based on its review of the corporate strategic planning dashboard in the Atlas system as of 2014 for all the country offices it visited, the Board found that the rates of completing performance plans were low during the year. In addition, mid-year reviews were not conducted and final performance reviews were not completed for 2013 at all the six offices visited. For instance, a total of 160 (48 per cent) out of 335 staff completed neither their performance plans nor their mid-year reviews for 2014. For the remaining 175 staff, 81 (24 per cent of 335 staff) had completed their performance plans, while performance plans for 94 staff (28 per cent of 335 staff) were in progress.

82. A comparison with the previous year (2013) indicated that out of 288 staff, final performance reviews were completed for only 206 staff (72 per cent), while for five staff (2 per cent) reviews were not carried out and for 77 staff (27 per cent) the reviews were in progress.

83. In addition, at all the country offices the plans completed in 2014 (81 out of 335 staff) were not submitted to the respective managers for review and approval. In addition, the country offices have not been using the performance plans and assessment results as an integral tool for assessing planned results, competency domains and staff capacity and ensuring recognition of staff for delivery of best services, which are key issues that influenced the introduction of the new performance management and development platform at UNDP.

84. The Board was informed by the country offices that non-compliance with requirements for performance management and development was mainly because of a number of reasons: the long process involved in completing the performance management and development process in the Atlas system; users were not fully conversant with the new platform; absence of a linkage between the performance management and development assessments and results with career development and recognition of staff for delivery of services; and lack of oversight mechanisms in ensuring that UNDP achieves the benefits intended by introducing the new performance management and development tool.

85. The Board is concerned that low rates of completion of performance plans, assessment of results and non-compliance with the new performance management and development process may inhibit the organization from achieving its main goals of strategic integration of individual performance, talent management review and assessment of results, competency domains and staff capacity. In addition, value for money from the investment in the newly introduced platform may not be realized.

86. **UNDP agreed with the Board's recommendation to (a) develop a clear action plan to ensure that performance management and development is used in talent management and assessment of results, competency domains and staff capacity; and (b) ensure country offices introduce an oversight mechanism such that performance management and development plans and assessments are completed in a timely manner and reviewed and approved by respective managers.**

8. Information and communications technology

Office of Information Systems and Technology unit-level strategic planning process, including risk assessment and performance management

87. UNDP has automated its activities such as accounting, human resources management, procurement and investments and has a numbers of systems and applications, such as the Atlas human capital management and procurement planning tools, to support these activities. The UNDP Programme and Operations Policies and Procedures (results and accountability) describe the corporate framework within which all units are expected to plan, monitor and report on their programme and/or management results. It requires the alignment of annual individual unit-level workplans with the corporate plan using the new corporate strategic planning platform. Unit-level workplans reflect the programme results for the unit, its balanced scorecard targets and results, the major risks identified and the key measures the unit will take to achieve its targets and manage its risks.

88. The Board reviewed the Office of Information Systems and Technology annual unit-level strategic planning process for 2014 in the corporate strategic planning dashboard and noted that the annual unit-level workplans in the new platform were supposed to be completed and approved by early February 2014. The risk log on information security has been updated with risks related to other units within the Office, but the Office was unable to provide documentation on how it had arrived at those risks. Furthermore, it was only one unit in the Office that had conducted the strategic planning risk assessment. While the UNDP enterprise risk management process does not prescribe the means to carry out departmental risk assessments, the Board is of the view that the Office should adopt a framework for carrying out, documenting and integrating the management of all information technology related risks (security, service delivery, project delivery, etc.) into the overall enterprise risk management process.

89. The Board considers that inadequate risk assessment processes will lead to inadequate risk identification and mitigation strategies, which will eventually affect the achievement of organizational objectives.

90. **UNDP agreed with the Board's recommendation that (a) the Office of Information Systems and Technology adopt a framework for carrying out, documenting and integrating management of all information technology related risks (security, service delivery, project delivery, etc.) into the overall UNDP**

enterprise resource management process; and (b) all units within the Office comply with the established unit-level strategic planning process.

Assurance on controls at a service organization (International Computing Centre)

91. UNDP has a service delivery agreement with ICC (a service organization) to provide hosting of the Atlas system, information technology infrastructure and other data processing services.

92. The Board reviewed the current service delivery agreements and other contractual arrangements between UNDP and ICC and noted that, according to ISAE 3402, the arrangement between the two entities gives UNDP and its external auditors (the Board) the right to obtain a required service auditor's report (type II report) from ICC so as to obtain assurance on the ICC controls and the operating effectiveness of those controls over the financial reporting period. In addition, the Board noted that ICC has an International Organization for Standardization (ISO) 27001 certification and is therefore subject to ISO audits for annual certification renewal. ISO 27001 relates specifically to information security management and is a standard and framework for security related controls; its scope and extent is limited and it does not express an opinion, over the period, on the operating effectiveness of security related controls.

93. The UNDP and ICC agreement does not include the need and frequency for reviews, required under ISAE 3402, of the operating effectiveness of the ICC internal control system over the UNDP financial reporting period. In addition, the Board noted that ICC has been reviewed and the type II report issued only once in an average of two years. The last ICC ISAE review was carried out in 2013 (18 months ago) for a period covering only six months from 1 January to 30 June 2013. Furthermore, the frequency of the report is not in line with the annual financial reporting period currently followed by UNDP under IPSAS. For 2014, ICC has committed to an ISAE review that covers the full 12 months.

94. The Board is of the view that it is important for the review to be conducted and reported in a frequency that can provide assurance to both UNDP and the Board of the operating effectiveness of the ICC controls within the UNDP financial reporting period.

95. **UNDP agreed with the Board's recommendation to include in its contractual arrangements with ICC the need and frequency of the report required under International Standard on Assurance Engagements 3402 (ISAE type II report), which will give reasonable assurance to both UNDP and the Board on the operating effectiveness of the ICC controls within the annual financial reporting period.**

9. Results-based management

Preparation of annual workplans and data completeness in the enhanced results-based management system

96. In its previous report (A/69/5/Add.1), the Board raised concerns on annual workplans being prepared without providing relevant information, including performance indicators, targets and baselines for a project in accordance with the Programme and Operations Policies and Procedures.

97. According to the project annual workplans for 2014 in the Atlas system and the new enhanced results-based management platform, the six countries visited by

the Board had 324 ongoing projects with a total budget of $699.6 million for the year under review.

98. The Board reviewed 96 of the 324 ongoing projects and noted that at the Argentina country office, 21 project annual workplans generated from the Atlas system (annual budget: $154.7 million) did not show a time frame for the activities to be implemented. In addition, 35 projects (annual budget: $89.4 million) at the Brazil, Myanmar and India country offices had no performance indicators, baselines and targets in their annual workplans.

99. The project information in the enhanced results-based management platform for all country offices visited by the Board showed that 53 projects (annual budget: $153.1 million) lacked performance indicators, baselines and targets. The new corporate strategic planning system (the enhanced results-based management platform) was meant to be used to capture information concerning project-level indicators through a direct link to the Atlas enterprise resource planning system, which currently has the project management module. The idea being explored is to eventually move all information concerning project indicators to the new corporate strategic planning system. This underscores a lack of close supervision and monitoring of data quality, timing and completeness of information entered by country offices. Furthermore, deficiencies in the annual workplan suggest inadequate regular reconciliation of performance indicators, baselines and targets for implemented activities.

100. The Board acknowledges that the corporate baselines, milestones and targets exercise was completed in December 2014, after which the data from programmes was aggregated, whereby country offices could use the new enhanced results-based management platform, which contains the integrated results and resources framework data-capture system for monitoring.

101. The Board is of the view that for the use of baselines, milestones and targets to be effective and fully utilized to capture project performance indicators, baselines and targets as intended, there should be close supervision and monitoring of data quality, timing and completeness of information entered by country offices.

102. **UNDP agreed with the Board's recommendation to (a) regularly reconcile performance indicators, baselines and targets contained in the annual workplans; and (b) supervise and monitor data quality and timing and completeness of information entered by country offices into the platform/tool of baselines, milestones and targets.**

10. Procurement and contracts management

Purchase orders carried over from prior periods

103. The Board reviewed the process of generating purchase orders at the Brazil country office. The review involved 50 procurement purchase orders (value: $20.9 million) out of 4,044 purchase orders (value: $80.5 million) generated in 2014. The Board found that purchase orders were not recorded in the financial period in which goods or services were expected to be received, contrary to the requirement under the Programme and Operations Policies and Procedures. The Board also noted that the current balances of purchase orders were created manually from balances of prior period purchase orders. This process requires purchase orders to be raised with the same description of the goods (based on the procurement

catalogue) and the purchase order balances from prior periods to be corrected. The Board noted as a result of this set-up anomalies in 14 purchase orders (value: $7 million) that had been raised based on the balances carried over from prior periods as follows:

(a) Seven purchase orders created in 2014 had values amounting to $4.2 million, which differed from the amount of $1.12 million indicated in the relevant prior period purchase order balances;

(b) A total of 12 purchase orders raised in 2014 amounting to $6.44 million had descriptions that were different from the description in the prior period purchase orders. For example, an old purchase order had the description of software license (expense), while the new purchase order had the description of software internally developed (intangible asset);

(c) Six purchase orders were created in 2014 amounting to $1.32 million based on balances in 2011 and 2012 purchase orders. In this case, each year new purchase orders had to be created with the prior period balances; having purchase orders from 2011 not delivered by 2014 is an indication of the prolonged procurement lead time.

104. Subsequent follow up with UNDP revealed that variations in the amounts and descriptions of purchase orders rolled over from prior years were mainly required to correct errors in purchase orders created in prior years by implementing partners with external access to the Atlas system. The process associated with external access to the Atlas system is different from the normal process of raising purchase orders used by UNDP staff. There is therefore a need for more concerted quality assurance mechanisms with respect to the approval of purchase orders raised externally by implementing partners and the related supporting documents. In addition, completing the reference field was optional during the process of reinstating the purchase orders, which contributed to original purchase order descriptions being missing.

105. **The Board recommend that UNDP (a) investigate the errors in the process of reinstatement of purchase order balances; (b) institute quality assurance mechanisms for external access to the Atlas system when reinstating purchase orders; (c) ensure a mandatory reference field is completed for reinstated purchase orders carried over from prior period balances; and (d) ensure compliance with requirements under the Programme and Operations Policies and Procedures on raising separate purchase orders for goods and services expected to be received in respective financial periods.**

11. Accounts payables to United Nations entities

Long outstanding unresolved balances in the United Nations current account (No. 26010, due to the United Nations)

106. UNDP current account No. 26010 (United Nations statement) as at 31 December 2014 included an item labelled "unrecorded-medical rejected" amounting to $166,053.41, which had remained unreconciled for the years 2009, 2012 and 2013. The item relates to medical bills charged by the United Nations to UNDP, but UNDP rejected these claims as they were not supported by reliable data. The reconciliation statement also showed that UNDP has been accruing the cost of the integrated Office of Ombudsman and Mediation Services, which it will be sharing with other United Nations entities. For the period 2010-2013 this cost amounted to $2.52 million. The discussion between UNDP and other United Nations

entities in relation to sharing the cost of the Office has not been finalized and UNDP is therefore setting aside funds.

107. The Board has noted that uncleared items have arisen largely because of the absence of terms of references and clear cost-sharing arrangements. While appreciating the efforts of UNDP in working on the aged balances with the United Nations accounts team, the Board is of the view that without final agreement with the United Nations, UNDP continues to accrue for its share of a cost that is uncertain. Retaining unresolved balances from 2009 undermines confidence in the management of accounts payable.

108. **UNDP agreed with the Board's recommendation to (a) liaise with United Nations entities and conclude terms of references for the Office of the Ombudsman and Mediation Services and reach final agreement; and (b) work with United Nations entities and agree on milestones for clearing long outstanding unresolved balances.**

12. Asset management

Disposed of, transferred, retired and fully depreciated assets (assets not in use)

109. Paragraph 82 of IPSAS 17 states that the carrying amount of an item of property shall be derecognized: (a) on disposal; or (b) when no future economic benefits or service potential is expected from its use or disposal.

110. From the review of the in-service report and physical verification of assets at the Myanmar and Papua New Guinea country offices, the Board noted 29 assets valued a $0.796 million (cost) which were fully depreciated and retired from use but were still recorded in in-service reports and that among these assets, 26 (cost: $0.786 million) were retired from use, two assets ($4,200) were disposed of in September 2014 and one asset ($5,700) was transferred to the Government but was still recorded in the in-service report.

111. UNDP stated that most of the information and communications technology equipment items were kept for future needs even if they were not currently in use because of the nature and complexity of obtaining new ones. Disposal of motor vehicles, however, was awaiting the official disposal permit from the Government of Myanmar.

112. The Board considers that appropriate actions need to be taken for assets that have already been retired from use to ensure that their treatment does not cause misstatements in the in-service report and ultimately in the financial statements.

113. **UNDP agreed with the Board's recommendations that (a) the Myanmar and Papua New Guinea country offices dispose of all assets that have been retired from use in a timely manner; and (b) derecognize in the books/ in-service reports all assets that have already been physically disposed of and those which have been transferred to the Government.**

13. Operational reserve

Methodology and elements considered in calculating the regular resources operational reserve and other resources reserve

114. In 1979, the Governing Council (now Executive Board) of UNDP established an operational reserve to ensure adequate core liquidity of UNDP by funding such reserves through a defined formula calculated annually on regular resources. In

1999, another resource reserve was established. The UNDP statement of financial position as at 31 December 2014 reported $352.64 million as a reserve, split into $3 million related to endowment funds, $348.97 million as operational reserves and $670,000 being a reserve for special initiatives.

115. The 1999 UNDP Executive Board report (DP/1999/5/Rev.1) contains guidance on the operational reserves and analysis of the nature of the financial risks faced by UNDP. Based on the risk element presented in the report, the Administrator recommended that the formula for calculating the operational reserves should be based on regular and other resources. When adopting IPSAS on 1 January 2012, the reported information in the financial statements changed from a modified cash basis to an accrual basis.

116. The Board noted that the operational reserves decreased by $19 million (5 per cent) from $367.97 million in 2012 to $348.97 million in 2014. The Board assessed the current UNDP operational reserve calculation and noted that it had not been updated to reflect new developments, as follows:

(a) Changes in the accounting framework arising from implementation of IPSAS standards and their impact on the reserve computations compared with the United Nations System Accounting Standards, for instance recognition of liabilities such as employee benefit liabilities and timing differences on revenue and expense recognition, all of which affect the operational reserve calculations;

(b) Changes in the UNDP risk management framework compared with 1979 when the operational reserves calculation methodology was approved;

(c) The risks and percentages related to components used in computing operational reserves relied on un-updated risk management framework;

(d) Current UNDP activities have changed substantially from 1979 and the assumptions used to compute the operational reserve were last updated in 1999 and are outdated;

(e) Changes In the UNDP strategic plan and ongoing structural change.

117. Management attributed the decline in operational reserves to the decline in regular resources. The Board is concerned that the formula currently used for calculating the operational reserve does not portray a fair picture of the organization. Reserve policies need to be reviewed regularly and reflect the highlighted changing needs of an entity.

118. **UNDP agreed with the Board's recommendation to revisit the regular resources operational and other resources reserve calculation methodology and identify possible alternatives taking into account (a) current UNDP operations, (b) the current strategic plan and risk management framework, (c) the impact of the IPSAS framework on the calculation of the reserve, and (d) the ongoing structural change.**

14. Structural change

Structural change benefit-realization plan and monitoring

119. In 2014, UNDP decided to undertake an institutional transformational process as part of a larger commitment to the Executive Board that UNDP would improve its institutional effectiveness to meet the objective of the strategic plan and to promote better integration, both functionally and geographically. The key objectives are to strengthen the UNDP regional presence, consolidation of policy functions,

rationalization of management support and improvement of management to staff ratios. With such a big structural change, there is a need to analyse the benefits, as change often manifests itself in creation or enhancement of capabilities. Good benefits come from a process that proactively identifies benefits, plans for their realization and tracks achievement on the basis of the plan.

120. The Board reviewed the UNDP structural change process, which was carried out in 2014 and expected to be completed in 2015. While recognizing efforts made by management, the Board noted that UNDP did not have a formal benefit-realization plan for the structural change process. Such a plan would show how all key aspects of the organization, for example financial, internal processes, employees and customer services, will benefit, as well as cover considerations such as how UNDP will attain, manage and sustain the benefit in the long-term.

121. UNDP engaged a consultant to undertake a precursor structural and cost-effectiveness review of UNDP. UNDP believes that the integrated results and resources framework, which is linked to the strategic plan, tracks performance measures against the strategic plan and that structural changes at the headquarters and regional levels are just one element of improving the institutional effectiveness of UNDP as a whole.

122. The Board considers that the consultant's structural review report was aimed at reviewing the current structure and giving opportunities and recommendations for improving the structure. In contrast, a benefit-realization plan would be formally documented after gathering information from all sources, including the consultant's report, and cover all key aspects of the expected benefits from the structural changes. The plan also aims to ensure the alignment between change outcomes and business strategies and that the organization maintains a focus on benefits during the continuing transformation of business operations.

123. Implementing structural changes without formally examining and documenting the human implications of such changes increases the likelihood of the change being unsuccessful and unsupported by staff.

124. **UNDP agreed with the Board's recommendation to (a) prepare a formal structural change-benefit-realization plan, including lessons learned so far; and (b) ensure that monitoring mechanisms are used so that long-term benefits are sustained in line with the formal benefit-realization plan.**

Handling of staff complaints, claims and concerns over structural change

125. The Board noted that there were no specific channels designed for handling staff concerns, complaints and claims with regard to the structural change exercise. UNDP explained that it uses article XI of the Staff Regulations and Rules of the United Nations for staff grievances and appeals. However, the current procedure (in accordance with article XI) is long and hence grievances and concerns have not been managed on a timely basis. In addition, according to a report of the Office of Audit and Investigations (No.1109 of 2013), UNDP did not have corporate action plans for addressing human resources related issues in line with article XI.

126. The Board noted that 300 complaints relating to the structural change process were received by the Staff Council Liaison Committee, five such complaints were received by the Office of Audit and Investigations and 16 formal requests for management evaluation were received by the Executive Office. Some of these

complaints relate to staff dissatisfaction with their limited involvement in the process and the absence of a proper way to handle their complaints and issues throughout the structural change process. UNDP explained that it makes a distinction between a staff member's communication with the Staff Council and a staff member's official grievance or appeal, which must be properly proved. It also stated that dialogue with the Staff Council is done through the Staff Liaison Committee.

127. UNDP stated that it aimed to maintain a consistent approach for handling complaints with respect to all changes, including the ongoing structural changes. Management believes that creating a separate process just for headquarters staff would send a wrong signal to the staff of an organization whose presence is mostly non-headquarters and who have undergone continuous changes within their offices.

128. The Board considers, however, that the structural change process is a unique process and that it has a great impact on staff; the absence of special channels for handling complaints and concerns relating to that process may result in endless cases with affected staff or it may even damage the reputation of UNDP. For example, over the period of these changes, data relating to top management in the UNDP global staff survey of 2014 indicated declining staff confidence in top management from an average of 71 per cent in 2012 to an average of 65 per cent in 2014.

129. **UNDP agreed with the Board's recommendation to (a) monitor and address staff complaints, claims or concerns over structural change from all channels, including those from the Staff Council, and facilitate their timely clearance to avoid reputational damage to UNDP; (b) strengthen opportunities for open and constructive dialogue and communication with staff and the Staff Council during the ongoing structural changes; and (c) establish plans for team building and staff motivation for confidence rebuilding and embed a culture that motivates and sustains the structural change.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

130. The Administration informed the Board that in accordance with financial rule 126.77, UNDP has $127,233.96 as write offs in 2014.

2. Ex gratia payments

131. As required by UNDP financial rule 123.01, the Administration reported ex gratia payments for the period under review amounting to $2,640.

3. Cases of fraud and presumptive fraud

132. In accordance with the International Standards on Auditing (standard 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

133. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. The Board also inquires as to whether management has any knowledge of any actual, suspected or alleged fraud; this includes enquiries of the Office of Audit and Investigations. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

134. In 2014, the Board did not identify any cases of fraud or presumptive fraud other than those cases of fraud and presumptive fraud which have been reported to the Board by management and adequately disclosed in the notes to the financial statements.

135. During 2014, in the context of paragraph 6 (c) of the annex to the Financial Regulations and Rules of the United Nations, UNDP reported 27 cases of fraud or presumptive fraud to the Board with a total value of $3.35 million. Of the 27 cases, UNDP has already resolved seven cases (value: $50,266), while 20 cases (value: $3.3 million) are still pending. Recoveries in 2014 from seven cases were $10,763. The details of all cases are provided in annex II to the present report.

D. Acknowledgement

136. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Administrator of the United Nations Development Programme and her staff.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Annex I

Status of implementation of recommendations up to the year ended 31 December 2013

No.	Financial period first raised	A/67/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented / Overtaken by events
1	2010-2011	23	Develop an IPSAS benefits realization plan; finalize the clean-up of long outstanding inter-agency legacy balances; and monitor timelines in the preparation of opening balance and dry-run financial statements	(a) Develop IPSAS cost-realization plan. (b) clean-up of long outstanding inter-agency legacy balances. (c) complete financial statement dry-run	Implemented in accordance with action plan		√	
2	2010-2011	24	Consider strategies on how the new information generated from IPSAS implementation will support decision-making in the organization	Roll out the suite of IPSAS based management reports and reinforce usage at training opportunities	Implemented		√	
3	2006-2007	33	Seek further cooperation from partners in managing refunds, and improve related monitoring processes	Significantly reduce pending refunds of more than 3 months old at closure of accounts	Considered implemented as per action plan and discussion between Board and UNDP regarding actions and the way forward for long outstanding recommendations		√	
4	2010-2011	37	Follow up with the identified country offices to improve the bank reconciliation process and consider, on a risk basis, a detailed review of bank accounts of country offices where it identifies specific risks	(a) Develop support strategy for Chad, Jamaica and Venezuela (Bolivarian Republic of) on bank reconciliation issues. (b) conduct spot check review for country offices with specific systemic risks	Following country office reviews, this recommendation is implemented		√	

No.	Financial period first raised	A/67/5/Add.1, chap. II, para reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
5	2008-2009	45	Work in partnership with other United Nations agencies to ensure complete and timely submissions and reconciliations of inter-agency balances	Develop specific plan to address non-submission of confirmation letters for United Nations agencies with significant balances	The plan to address non-submission of confirmation letters for United Nations agencies with significant balances has been uploaded		√		
6	2008-2009	52	Resolve the dispute regarding inter-fund differences in accounts with UNOPS	Establish mutually agreed third party arbitration mechanism to resolve outstanding inter-fund differences	Implemented in accordance with action plan. Board will continue monitoring during audit of final accounts for 2014		√		
7	2008-2009	53	Obtain confirmation of balances from UNOPS prior to closure of its account and perform a reconciliation of inter-fund balances, obtain semi-annual reports and certifications from UNOPS, and establish an adequate validation for the amounts provided by UNOPS before it processes management-service-agreement transactions	(a) Improve on current management-service-agreement transaction validation process with UNOPS, (b) implement half yearly management-service-agreement transaction reconciliation process	Implemented in accordance with action plan. Board will continue monitoring during final audit of 2014		√		
8	2006-2007	61	Provide fully for all end-of-service liabilities as part of its implementation of IPSAS	Review funding strategy with Executive Board and progressively implement approved funding plan for end of service liabilities	Implemented		√		
9	2008-2009	62	Formulate funding plans for end-of-service liabilities relating to accrued leave and termination and repatriation benefits	Formulate funding plan for all end-of-service liabilities, including repatriation benefits, accrued leave liability and termination benefits	Considered implemented in accordance with action plan and discussion between Board and UNDP regarding actions and way forward for long outstanding recommendations		√		

No.	Financial period first raised	A/67/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
10	2010-2011	70	Regional bureaux consider the results of the national implementation modality audit process and work with implementing partners to address the weaknesses identified in that audit process. A focus should be on implementing partners which have recurring negative reports	Continue to monitor national implementation modality audit results and review causes and consider alternative arrangements for implementing partners with persistent negative audit results	Considered implemented following discussion with UNDP on 10 December 2014 on this recommendation, which was linked with recommendation in para. 44 of A/68/5/Add.1 (2012). See serial no. 40 below.	√			
11	2010-2011	72	Consider other procedures of obtaining assurance that funds were spent as intended in the Egypt country office	Implementation of alternative assurance measures, including bank statement verification, asset purchase verification and audit results of 2011 and 2012	Implemented	√			
12	2010-2011	75	Through the regional bureaux, prioritize the financial closure of all operationally closed projects, and address the causes of delays in the finalization of project closure	(a) Accelerate financial closure of operationally closed projects and leverage the International Aid Transparency Initiative project to clean up possible project status errors, (b) analyse underlying causes and measure and monitor progress	Considered closed in accordance with action plan and further discussion between UNDP and Board. Note that this is one of the recommendations appearing in Board's report of 2013	√			

No.	Financial period first raised	A/67/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
13	2008-2009	77	Enhance the quality of information regarding projects through regular review of project information in the Atlas system	Implement project quality assurance process and conduct periodic country office project review, leveraging Atlas system project enhancements	Considered implemented in accordance with UNDP quality assurance system roll-out, aimed to improve project data quality. Based on Board's assessment and discussion on 8 May 2015 between UNDP and the Board, monitoring and evaluation is very crucial towards implementation of quality assurance phases/pilots and the roll-out to UNDP globally in ord_r for it to achieve expected results		√		
14	2010-2011	79	Country offices monitor the receipt of quarterly combined delivery reports	Rationalize strategy for donor reporting at country office level and implement mechanism to monitor timeliness of donor reporting	Considered implemented in accordance with action plan and discussion between Board and UNDP regarding actions and way forward for long outstanding recommendations		√		
15	2010-2011	81	Country offices perform field visits and final project reviews to assess project performance and success and to improve on lessons learned	Establish mechanism for regional bureaux to review/follow up on country offices with no or very limited project visits	Considered implemented in accordance with UNDP quality assurance system roll-out, aimed to improve project data quality. Based on Board's assessment and discussion on 8 May 2015 between UNDP and the Board, monitoring and evaluation is very crucial towards implementation of quality assurance phases/pilots and the roll-out to UNDP globally in order for it to achieve expected results		√		

No.	Financial period first raised	A/67/5/Add.1, chap. II, para reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
16	2010-2011	86	Review all projects with microfinance activities and assess its policies to ensure consistent recording of these activities, and implement adequate project monitoring controls over microlending activities, in line with project agreements	(a) Review accounting guidelines for microfinancing activities, (b) develop monitoring controls of microlending activities	Implemented in accordance with action plan	√			
17	2010-2011	92	Consider ways of enhancing the harmonized approach to cash transfers framework	Work in collaboration with UNDP Bureau of Management, Bureau for Development Policy and regional bureaux in identifying opportunities for enhancement to implementation of the harmonized approach to cash transfers framework in UNDP offices	Implemented	√			
18	2010-2011	94	Consider enhancing the roles of oversight and monitoring of implementation of the harmonized approach to cash transfers framework at country offices, and consider mechanisms to foster a common understanding and application of the framework by country offices as part of an inter-agency process.	(a) Participate in UNDP task force on harmonized approach to cash transfers framework (to be led by Chief Finance Officer) to strengthen framework in UNDP offices, (b) identify implementation and training gaps in country offices. Joint responsibility of regional bureaux and Bureau of Management in conjunction with Development Operations Coordination Office	After the assessment of the revised harmonized approach to cash transfers framework, this is implemented	√			

No.	Financial period first raised	A/67/5/Add.1, chap. II, para reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
19	2010-2011	98	Consider further strengthening of oversight and monitoring of field-level activities associated with procurement, trust funds, projects, asset management, the harmonized approach to cash transfers framework and human resources to ensure accountability in the context of its highly decentralized structure and compliance with UNDP policies and procedures	Implement specific action steps within larger Audit Operations Committee to identify/address underlying issues and monitor progress at the regional bureaux level in line with list of top audit priorities	Implemented	√			
20	2004-2005	102	Consider the implementation of individual and consolidated procurement plans at country offices and headquarters based on an analysis of procurement needs	(a) Develop concept note and implementation plan, (b) roll out procurement planning guideline to targeted offices	Implemented	√			
21	2010-2011	103	Improve its maintenance and use of the procurement dashboard, and strengthen monitoring support to the regional bureaux for procurement actions at country offices	(a) Review data quality issue in procurement dashboard, (b) develop guidelines for use of procurement dashboard for regional bureau monitoring purposes	(a) We acknowledge management efforts in improving maintenance and the use of the procurement dashboard by reviewing and implementing some changes to improve data quality. We verified that more unique users accessing the dashboard are mostly from country offices; (b) monitoring and review should be an ongoing exercise facilitated by the functioning procurement dashboard	√			

No.	Financial period first raised	A/67/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
22	2010-2011	104	Perform a regular review of buyer profiles in Atlas to ensure that only certified procurement staff have buyer profiles, and remove inappropriate profiles in Atlas, and consider mechanisms aimed at improving the certification rate of personnel performing procurement functions	(a) Conduct six monthly reviews of buyer profiles by regional bureaux; (b) Work with regional bureaux to achieve 80 per cent procurement certification of buyers by fourth quarter 2013	Implemented. Procurement certification of buyers achieved as targeted		√		
23	2010-2011	107	Implement measures to enhance monitoring and oversight on direct contracting and other non-competitive procurement methods, and plan procurement activities in a timely manner to allow for competitive bidding and compliance with applicable procurement rules, for example by notifying all requisitioners six months in advance of the need to start planning for a procurement exercise	(a) Roll out and analyse statistics and instances of direct contracting in country offices; (b) emphasize procurement planning at procurement learning events	Implemented		√		
24	2010-2011	110	Implement adequate segregation of duties in the procurement process to avoid conflict of interest, regularly perform vendor evaluations, and adhere to UNDP solicitation and contract award rules	(a) Conduct spot checks on segregation of duties as part of procurement-capacity assessment policy; (b) collaborate with Procurement Support Office in periodic review of vendor evaluation in	Implemented		√		

No	Financial period first raised	A/67/5/Add.1, chap. II, para reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				country offices; (c) conduct ad hoc spot checks of compliance with contract approval policies					
25	2010-2011	111	Consider the application of its oversight role to ensure that country offices comply with the UNDP procurement measures currently being implemented by the Advisory Committee policies and procedures	(a) Reinforce principles of segregation of duties etc. at planned procurement learning events; (b) monitor compliance for key high-risk procurement contracts	We acknowledge the efforts by management in strengthening the oversight for compliance of country office procurement activities via the roll out of the new online Advisory Committee on Procurement in January 2013; (a) we appreciate the demonstration by management of the new Advisory Committee on Procurement online, which includes the Contracts, Assets and Procurement Committee and has controls to ensure segregation of duties in procurement roles at all three levels; (b) we also confirmed that procurement cases, including ex-ante cases, are captured and therefore their review is easily facilitated and tracked by the new online Advisory Committee on Procurement	√			
26	2010-2011	115	Address the matters highlighted in its corporate procurement audit report	Finalize action plan and target completion dates for the 13 recommendations issued by the Office of Audit and Investigations in April 2012 and escalate to Chief Procurement Officer on items requiring corporate prioritization	The recommendation is withdrawn in line with the assessments done by Office of Audit and Investigations in October 2014	√			

No.	Financial period first raised	A/67/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
27	2010-2011	119	Strengthen asset management controls in the field by either reviewing its guidance available to country offices or training in asset management. Initiatives should focus on asset verification procedures, asset identification and recording on acquisition, asset recognition and recording, and asset transfer procedures.	(a) Identify post-IPSAS implementation training gaps for asset management in country offices; (b) review proficiency of country offices in dealing with IPSAS-related asset transactions	Implemented		√		
28	2010-2011	123	Perform a thorough review of the completeness and accuracy of land and building records	Conduct data quality review of land and building records certified by country offices	Implemented		√		
29	2010-2011	127	Improve all controls over leave administration to ensure accurate leave balances, and prioritize addressing weaknesses in leave management	(a) Conduct reviews of quality of leave record data for financial statement dry runs; (b) identify and prioritize support plan for targeted offices	Implemented after reassessment		√		
30	2010-2011	131	Update the Atlas Change Control Manual to reflect practical working methods applied during the change process, implement procedures to ensure that all types of change are signed off by the business owners, complete and implement the draft testing strategy plan.	(a) Update Change Control Manual; (b) Reinforce business owner sign off procedures; (c) and (d) formalize testing strategy and documentation requirement; (e) conduct periodic review of database administrator access	Implemented in accordance with agreed action plan		√		

No.	Financial period first raised	A/67/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			maintain supporting documents for unit and user acceptance testing, and regularly review the activities of the database administrators and access to the production database and keep evidence of such reviews						
31	2010-2011	135	Evaluate the criteria for data fixes and update the Atlas Change Control Manual to clearly define the different types of changes and clearly define controls to be followed for each type of change	(a) Review criteria used for data fixes; (b) update Change Control Manual	(a) Manual and Team Track/Phire Architect have been updated with data system integrity management changes and the categories and controls to be followed have been defined. Implemented	X			
32	2010-2011	145	United Nations Capital Development Fund perform regular review and reconciliation of the general ledger to detect errors, subject its accounts to a review and challenge during the financial statement preparation process to ensure that financial information presented is accurate and a complete reflection of the activities that have occurred, and review the level at which the operational reserve is maintained to ensure that maximum funds are available for programme activities	(a) Institutionalize process for general ledger review in consultation with Office of Finance and Administration; (b) review operational reserve policy; (c) implement approved policy	Considered implemented (a, b and c), based on clarifications and various discussions between UNDP and Board	X			

No.	Financial period first raised	A/67/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
33	2010-2011	149	United Nations Capital Development Fund fully provide for after-service health insurance and end-of-service liabilities, establish a policy to fund the liabilities and implement processes to correctly compute and accrue for the annual leave liability	(a) Finalize funding for end-of-service liabilities; (b) finalize policy for funding of end-of-service liabilities; (c) implement processes to compute and accrue for leave liabilities for United Nations Capital Development Fund	Implemented		√		

No.	Financial period first raised	A/68/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
34	2012	23	(a) Consider the inclusion of all its budgeted resources in the statement of comparison of budget and actual amounts in order to enhance comparability and understandability of the statement; and (b) perform case-by-case determination of net realizable value/current replacement cost of inventory instead of using a generalized formula	UNDP notes its current presentation of the statement of comparison of budget to actual amounts is fully compliant with: (i) the requirements of the relevant IPSAS standard; (ii) UNDP approved IPSAS policy accepted by the Board; and (iii) UNDP financial regulation 13.04. IPSAS 24 requires disclosure in the statement of comparison of budget to actual amounts of a budget approved by a legislative authority. Only the regular resources of the UNDP budget are subject to the formal approval of the UNDP Executive Board	Considered implemented		√		

No.	Financial period first raised	A/68/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
35	2012	25	Resolve disputes regarding the inter-fund balance with UNOPS through reconciliation and dialogue no later than 31 December 2013, and establish an effective reconciliation mechanism to avoid disagreements arising in future, including settling the cumulative balance of the inter-fund at monthly intervals	UNDP will continue to pursue and perform the steps outlined in the reconciliation mechanism set up to resolve the inter-fund difference	Implemented	√			
36	2012	27	Review (preferably annually) the after-service health insurance liability funding plan to ensure it remains appropriate	UNDP will review its after-service health insurance liability funding plan at the next actuarial valuation	Considered implemented in accordance with action plan and discussion between Board and UNDP regarding actions and way forward for long outstanding recommendations	√			
37	2012	30	Continue to communicate with donors to ensure that agreements are signed and funds are applied in a timely manner	UNDP has made significant progress in reducing the unapplied deposits balance from $39.8 million in 2011 to $9.8 million in 2012, with further progress being made in 2013. UNDP will continue to diligently follow up with donors to ensure that contribution agreements are signed and funds received are applied to relevant projects/programmes on a timely basis	We acknowledge progress made in reducing the unapplied deposits balance. We consider this implemented while we continue to oversee that UNDP follows up with donors to ensure that contribution agreements are signed and funds received are applied to relevant projects/programmes on a timely basis	√			

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						Implemented	Under implementation	Not implemented	Overtaken by events
38	2012	34	(a) Monitor and track project implementation progress reports and ensure that they are completed on time, and (b) ensure that country offices update project status in the Atlas system, and actively address causes of delays in completion of projects	UNDP will be rolling out the corporate platform for programme/project planning and monitoring system that will enable country offices and regional bureaux to track key milestones including project reporting due dates, financial closure status of operationally closed projects and project end dates	Considered implemented. Project implementation and monitoring of project activities is very crucial and it needs to be conducted and documented by country offices/units. While we agree that systems and management tools have been changed, the actual implementation and monitoring of project activities must be conducted (in a timely fashion) and data keyed into tools/systems on time for reporting purposes. The Board will consider merging/updating this recommendation with recommendations of the same nature made in recent years	√			
39	2012	39	Ensure that all regional bureaux are working closely with country offices, and that instructions of the Office of Audit and Investigations are complied with and all [national implementation modality/nationally executed projects] audit reports are submitted within the required period	UNDP will target to achieve more than 80 per cent of national implementation modality project reports are submitted within the required period (barring special circumstances where completing the audit on time is affected by security or other reasons beyond the control of the UNDP country office	Implemented in accordance with action plan	√			

No.	Financial period first raised	A/68/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
40	2012	44	Take appropriate actions to address the causes of recurring modified audit opinions [for national implementation modality/nationally executed project audits] through engaging with the regional bureaux and the respective implementing partners; and enhance review of the cash transfer modalities to provide additional assurance over amounts spent by implementing partners	UNDP will target to reduce the number of national implementation modality projects receiving three or more consecutive years of modified audit opinions, involving the same implementing partners	Considered implemented based on the action plan and additional evidence	x			
41	2012	46	(a) Ensure that for any future project [in Afghanistan], further strengthen the identification and assessment of inherent external risks that may hamper project implementation and establish mitigating tactics; (b) consider a retrospective audit of the justice and human rights in Afghanistan project from its inception to the closure to identify lessons for future projects; (c) revisit the project expenses incurred for the period from July to December 2009 and ensure there was no duplicate expense on	The Afghanistan country office will take action to ensure that the detailed conflict sensitivity and risk assessment conducted for phase I of the project are leveraged appropriately in planning for the subsequent phases of the project. Also, management of the Regional Bureau for Asia and the Pacific has agreed with the Office of Audit and Investigations on the planned audit of the justice and human rights in Afghanistan project in 2013	Implemented	x			

No.	Financial period first raised	A/68/5/Add.1 chap. II para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			the same activities for the justice and human rights in Afghanistan project against activities implemented by the strengthening of the justice system of Afghanistan or access to justice at the district level projects						
42	2012	50	Ensure funding authorization and certificate of expenditure forms are used as required under the harmonized approach to cash transfers framework	Current UNDP policy allows country offices to use the financial report (in the absence of the harmonized approach to cash transfers framework) or the financial authorization and certification of expenditures report when the framework is implemented, as a management tool for direct cash transfers	Implemented				
43	2012	54	(a) Enhance the roles of oversight and monitoring of implementation of the harmonized approach to cash transfers framework at country offices by the regional bureaux; and (b) consider establishing follow-up mechanisms which will provide assurance over compliance with procedures	The HACT framework review is being finalized by an independent consultant firm commissioned by the United Nations Development Group Harmonized Approach to Cash Transfers Advisory Committee	In accordance with the revised harmonized approach to cash transfers framework, this recommendation is considered implemented				

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44	2012	56	(a) Remind the country offices to prepare procurement plans and introduce regular review mechanisms to ensure that they meet the Programme and Operations Policies and Procedures minimum information disclosure requirements; and (b) ensure that consolidated procurement plans are in place to secure improved value for money that may arise from economies of scale and increased purchasing power	The Procurement Support Office will work with regional bureaux to send periodic reminders to country offices and conduct systemic review of the quality of country office procurement plans submitted and monitor those still without a procurement plan	Implemented	X			
45	2012	58	(a) Improve monitoring mechanisms through sending regular reminders to country offices that they should enforce compliance with competitive procurement procedures; and (b) ensure proper planning of its procurement activities to allow for competitive bidding procurement procedures	UNDP will use the recently launched Advisory Committee on Procurement Online system to monitor compliance of cases of direct contracting submitted by country offices for procurement committee review	Implemented in accordance with action plan	X			
46	2012	61	(a) Find a solution to restrict the entry of duplicate serial numbers for relevant asset categories; and (b) update the register	The Office of Financial Resources Management will work with the Office of Information Systems and Technology to apply a	Implemented in accordance with action plan	X			

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						Implemented	Under implementation	Not implemented	Overtaken by events
			to include the missing information and remove the duplicates	system enhancement in the Atlas system to restrict entry of duplicate serial numbers for assets					
47	2012	64	Send regular reminders to country offices to ensure inventories are counted on a quarterly basis in accordance with the requirements of the Programme and Operations Policies and Procedures	Pursuant to the UNDP periodic approach to inventory counting provided for under IPSAS 12, the Office of Financial Resources Management will send quarterly reminders/guidance to all UNDP country offices to complete their quarterly inventory counts	Implemented	√			
48	2012	68	(a) Monitor compliance with the approved human resources management procedures in accordance with the Programme and Operations Policies and Procedures; and (b) improve the use of the e-Service module of the Atlas system for monitoring the timely processing of human resources management activities	The Office of Human Resources will work with all UNDP offices to support their oversight function with respect to compliance with human resources policies and procedures, specifically in the areas of approval of staff overtime pay, leave monitoring and vacancy processing	Implemented in accordance with action plan	√			
49	2012	74	(a) Improve the communication procedures between the Office of Human Resource and the Atlas Role Generation and User-provisioning System focal points to ensure that user accounts for employees	The Office of Information Systems and Technology in collaboration with the Office of Human Resources will (i) implement a system enhancement to automatically deactivate Atlas user	Considered implemented. The Office of Information Systems and Technology should continue to monitor that the Atlas security reports are used to perform regular reviews. If possible a dashboard showing each country's status may be developed	√			

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			leaving the entity are disabled promptly; and (b) establish a more rigorous process to ensure that the Atlas Role Generation and User-provisioning System focal points perform regular reviews of user accounts and profiles in accordance with the internal control framework requirement	accounts for staff leaving the organization; and (ii) jointly review the current process and formalize instructions to all country offices through the focal points in the Atlas Role Generation and User-provisioning System					
50	2012	79	Ensure that no single user is granted more than one profile and, whenever it is necessary to do so, a rigorous process for approval is in place to ensure that no conflicting roles are granted to the same user where there is no pressing need	In accordance with UNDP policy, all heads of UNDP offices will be required to seek special approval from headquarters when more than one profile is necessary. As part of the annual review of Atlas user security, the Office of Information Systems and Technology will work with regional bureaux	Implemented in accordance with the agreed action plan	√			
51	2012	80	Implement adequate compensating controls, such as routine reviews of transactions processed, where conflicting roles are granted by use of multiple accounts for a user or multiple profiles for a user	The Office of Information Systems and Technology in conjunction with the relevant offices at headquarters will work with the regional bureaux to implement compensating controls for cases where the operating environment requires users to be granted multiple roles or multiple profiles	We agree with the current implementation, i.e., reports to facilitate routine review by focal points for the Atlas Role Generation and User-provisioning System in line with the agreed action plan	√			

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52	2012	84	Develop an action plan to hand over expense management processing to the Global Shared Service Centre in order to make optimum use of the Centre	The Global Shared Service Centre will develop an action plan to undertake support of the expense management function	In accordance with the Global Shared Service Centre service agreement, we evidenced that non-compliant expense transactions that fail the IPSAS dashboard and IPSAS documentation are analysed and followed up with country offices to resolve. We consider this implemented in accordance with the action plan	√			
53	2012	90	(a) Develop a framework for capturing and accounting for accrued rent for the tenants in the buildings other than United Nations Development Group Executive Committee agencies; and (b) provide more thorough guidance to country offices on management of loans to governments and rent payable to governments in order to offset the loan balance.	OFRM will further develop its accounting framework for accrued rent and issue further guidance to country offices on loans to governments and rent payable where necessary.	Implemented as per action plan.	√			

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54	2013	28	UNDP agreed with the recommendation of the Board that it (a) establish an appropriate quality assurance mechanism to further improve the consistent	(a) Strategy and Change Implementation Group to pilot project level quality assurance system with select country offices; and (b) roll out quality assurance system to all	Implemented in accordance with UNDP quality assurance system roll out aimed to improve project data quality	√			

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			implementation of the performance indicators; and (b) include appropriate baselines and targets for expected outputs for all its approved projects in the annual workplan and the integrated annual workplan	UNDP offices with required training support in 2014					
55	2013	29	(a) Regularly reconcile performance indicators, baselines and targets contained in the annual workplans and those in the integrated annual workplans; and (b) ensure the timely approval of the annual project workplans	(a) Strategy and Change Implementation Group to establish automated data exchange between the integrated workplan and annual workplan systems, and (b) regional bureaux will monitor progress and work with country offices in cases of exceptional delay from 2015 onwards	Implemented in accordance with UNDP quality assurance system roll out aimed to improve project data quality	√			
56	2013	36	UNDP agreed with the Board's recommendation that it: (a) work with government counterparts to ensure that the annual project workplans are approved in a timely manner; and (b) monitor the progress of project implementation at the country level to avoid delays during implementation	UNDP agreed with the Board's recommendation to (a) work with programme government counterparts to ensure that annual workplans are approved in a timely manner; and (b) monitor project implementation progress at the country level to avoid delay during implementation	Implemented. The demonstration to auditors was done by UNDP on 8 May 2015, on the integrated results and resources framework and baseline milestones and targets and related tools to show how data are captured and reported. It was implemented in accordance with the UNDP quality assurance system roll out aimed to improve project data quality	√			
57	2013	41	The Board recommends that UNDP review the projects at its country offices to ensure that	Regional bureaux to review country office plans in supporting development priorities	We consider this recommendation implemented	√			

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			they cover mainstreamed activities addressing the thematic areas adopted by UNDP	as part of the annual business plan process initiated by the Strategy and Change Implementation Group					
58	2013	43	The Board recommends that UNDP implement projects according to the annual workplans and address deviations from planned implementation in a robust and timely manner	Regional bureaux to work with country offices (as needed) to ensure approval from project board for significant deviations from approved workplans	Not yet updated		√		
59	2013	49	UNDP agreed with the recommendation of the Board that it comply with the Financial Regulations and Rules and Programme and Operations Procedures and Policies, and continue to build on current efforts to ensure diligent monitoring by the regional bureaux and prioritizing of the financial closure of the remaining tranches of identified operationally closed projects	Regional bureaux to prioritize remaining cases of projects to be financially closed and monitor progress of cases with significant delays	We close this recommendation and consider merging/ updating with paras. 41-45 of 2014 interim management letter which will be a feature in the long form report for 2014		√		
60	2013	53	UNDP agreed with the Board recommendation that it ensure that the project completion checklist is used consistently for the financial closure of development projects, including the preparation of final review reports	Regional bureaux to work with country offices to ensure project completion checklist and final review report are prepared for projects to be closed in 2014. Exceptions to be cleared by regional bureaux	Not yet updated		√		

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61	2013	57	UNDP agreed with the recommendation of the Board that it prepare and submit the combined delivery reports in a timely manner in compliance with the Programme and Operations Policies and Procedures	Regional bureaux will establish mechanism to monitor timeliness of combined delivery report submission by country offices	Considered implemented based on the practice agreed with UNDP that we may close this recommendation and consider merging/updating paras. 32-36 of 2014 interim management letter which will be featured in the 2014 long form report	√			
62	2013	63	UNDP agreed with the recommendation of the Board that it: (a) prepare quarterly progress reports for the country office as required by the Programme and Operations Policies and Procedures; (b) regularly update the risks log in the Atlas system; and (c) conduct project field visits and prepare and file reports, as required by the Programme and Operations Policies and Procedures	Regional bureau to work with country office to ensure and monitor compliance	Implemented	√			
63	2013	67	The Board recommends that UNDP ensure annual workplans are prepared for all projects in Nigeria as required by the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results	Nigeria country office to recruit a full time monitoring and evaluation analyst and ensure that more robust planning systems are in place to prepare and revise the annual workplan, in line with guidance in the Programme and Operations Policies and Procedures	Implemented	√			

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64	2013	72	UNDP agreed with the recommendation of the Board that it take appropriate action to include in audit plans projects that have never been audited but whose cumulative expenses since inception exceed $0.5 million through the revision and clarification of the criteria to be applied and by considering all expenses recorded by the date set for submission of the audit plan	The Office of Audit and Investigations to include necessary clarifications and revisions of the NGO national implementation modality audit policy in the Programme and Operations Policies and Procedures. The same revisions and clarifications to be included in the next cycle of projects audits that will be undertaken in 2015 (to cover expenditure of financial year 2014)	Implemented	√			
65	2013	77	UNDP agreed with the recommendation of the Board that it direct all regional bureaux to work closely with country offices to ensure that the instructions of the Office of Audit and Investigations are complied with and that all audit reports are submitted within the required period or as subsequently agreed with the Office	Regional bureaux to establish/strengthen mechanism (as needed) to monitor timeliness of submission of audit reports due and follow up with country offices on exceptional cases in consultation with the Office of Audit and Investigations	Implemented, because there is a significant improvement compared to status last year	√			
66	2013	80	Ensure that regional bureaux set realistic implementation target dates and monitor the implementation of long outstanding audit recommendations (more than 18 months) involving implementing partners	UNDP agreed with the recommendation of the Board. Regional bureaux to establish/enhance mechanism (as needed) to monitor implementation of long outstanding audit recommendations involving implementing partners	Implemented after re-assessment. Board will continue to assess monitoring the implementation of prior years' long outstanding audit recommendations to implementing partners at country offices	√			

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67	2013	84	Review the causes of recurring modified audit opinions and take remedial action, as required, through engaging the regional bureaux and respective implementing partners	UNDP agreed with the recommendation of the Board. Regional bureaux to work with relevant country offices to implement measures, including alternate mode of cash transfer for national implementation modality projects with three consecutive years of modified audit opinion. Exceptions to be approved by regional bureaux	Board noted management efforts in reviewing the causes of recurring modified opinions in five selected country offices. However the remedial actions are yet to be implemented by those country offices, i.e., Bangladesh, India and the Philippines are in the final stages of completing transitional microassessment plans. The implementing partners have been rated 89 per cent, 66 per cent and 89 per cent for Bangladesh, India and the Philippines respectively. These country offices are expected to their change cash transfer modality by 1 June 2016		√		
68	2013	91	(a) Assess risks surrounding executing the national implementation modality to find out why assurance procedures other than an audit could not detect the suspected irregular procurement procedures and improve controls; and (b) continue engaging with the partner Government to ascertain more facts about the matter in order to establish the actual loss the projects	UNDP agreed with the recommendation of the Board. Regional Bureau for Latin America and the Caribbean (in consultation with the Office of Financial Resources Management and the Office of Audit and Investigations) to work with country offices to perform necessary review/assessment	Part (i), implemented in accordance with the measures taken by country offices with the support of the Office of Audit and Investigations and the Regional Bureau for Latin America and the Caribbean; part (ii), in progress. The country office is continuing engaging with the Government to ascertain more facts about the matter and establish actual loss and possibility of recovery from the persons involved. There is still ongoing judicial process in this matter		√		

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			suffered and possibilities of recovery from the individuals involved						
69	2013	94	UNDP agreed with the recommendation of the Board that, unless there is a bilateral agreement with the donor(s) concerned, make every effort to refund amounts due to donors and clear all balances exceeding 90 days in the 2013 account (refunds pending to donors) as required by the Programme and Operations Policies and Procedures and year-end closure instructions	The Office of Financial Resources Management to consider additional measures including possible comprehensive clause in agreements on treatment of unspent balances beyond 90 days	We are of the view that the revision made in the Programme and Operations Policies and Procedures is not specific, measurable, attainable, realistic and timely (SMART), i.e., in 4.0 (Procedures under cost sharing refunds) point 3 was changed from: "The accounts payable voucher must be processed not later than 90 days after the transfer of funds to account 21030" to: "The accounts payable voucher must be processed as soon as practicable after the transfer of funds to account 21030 and after the donor provides written confirmation of its bank account details." The Board is of the view that the revised clause in the Procedures is not SMART because it misses the element of "timely" which is very crucial as a control tool to manage refunds pending to donors. The Board is of the view that UNDP has to revisit this clause and make it SMART				

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70	2013	101	UNDP agreed with the recommendation of the Board that it (a) enforce its guidance notes to country offices on the implementation of the revised harmonized approach to cash transfers framework; and (b) follow up with regional bureaux and work with country offices to ensure that pending macro- and microassessments for the respective programming cycle are conducted as planned	On (a), the Office of Financial Resources Management to promulgate guidance notes to country offices. On (b), this is an ongoing process. Regional bureaux to establish/enhance mechanism for monitoring implementation of micro/macroassessments as required	Implemented	√			
71	2013	107	UNDP agreed with the recommendation of the Board that it work with the World Health Organization (WHO) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to clarify the propriety of the payable/receivable balances, including references to specific accounting policies (if different from UNDP) when confirming their balances to the Board	UNDP worked with WHO and UNRWA to clarify the propriety of the payable/receivable balances including references to specific accounting policies (if different from UNDP) when confirming their balances to the Board	Implemented. During the final audit in 2014 the Board received confirmations from WHO and UNRWA as at 31 December 2014 which were in agreement with the UNDP financial statements	√			

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						Implemented	Under implementation	Not implemented	Overtaken by events
72	2013	112	UNDP agreed with the recommendation of the Board that it: (a) develop a consolidated procurement plan in accordance with the programme cycle at the country office; and (b) ensure that country offices upload their procurement plans in the repository designated at UNDP headquarters	Regional bureaux to establish/enhance the mechanism for monitoring the uploading and implementation of the consolidated procurement plan at the country office level in the headquarters designated repository	Implemented	√			
73	2013	114	UNDP agreed with the recommendation of the Board that it ensure that all members of evaluation committees who are non-UNDP staff sign a declaration of impartiality to declare their non-conflict of interest as required under the Programme and Operations Policies and Procedures	Regional bureaux (in consultation with the Procurement Support Office) to establish/enhance mechanism to ensure compliance with the requirement	Implemented in accordance with the action plan	√			
74	2013	117	Closely follow up with implementing partners to ensure that the delivery of goods and services is made without delay and according to signed contracts; and that the signing of confirmation-of-delivery reports is done in a timely manner	Regional bureaux (in consultation with the Procurement Support Office) to establish/ enhance/leverage existing mechanism to ensure compliance with the requirement	Considered implemented as recommended and in accordance with the action plan	√			

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75	2013	120	UNDP agreed with the recommendation of the Board that it: (a) ensure that country offices comply with the Service Contract User Guide in relation to the hiring of staff on service contracts and the proper timing of performance evaluations; and (b) review the current service contractor modality and policy, including the nature of project-related work at the country offices and associated service contract performance evaluation requirements	On (a), regional bureaux to work with country office concerned to address specific concerns identified; on (b), Office of Human Resources (in consultation with regional bureaux) to review current service contract policy	We agree to withdraw this recommendation and keep paras. 73-78 of the 2014 interim management letter. The long form report of 2014 will be updated accordingly		√		
76	2013	124	UNDP agreed with the recommendation of the Board that it review the after-service health insurance funding plan on a regular basis and develop an appropriate funding strategy so that the funding plan remains viable	This is already in place. The Office of Financial Resources Management is to review the existing funding strategy annually when results of actuary studies are available	Considered implemented in accordance with the action plan. Since the recommendation requires the review to be done on a regular basis, the Board will continue to monitor regular review of the after-service health insurance funding plan and implementation of the developed strategy in subsequent audits. The current review was done by a consultant in 2014		√		
77	2013	129	UNDP agreed with the recommendation of the Board that it review the current Atlas payroll profiles to restrict the	The Office of Human Resources will work with the Office of Information Systems and Technology (in	In progress in accordance with management assessment		√		

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			granting of conflicting roles in line with the internal control framework on payroll administration	consultation with the Office of Financial Resources Management) to review/create/revise profiles as needed to meet the workflow requirements within the Benefits and Entitlements Services unit					
78	2013	134	UNDP agreed with the recommendation of the Board that it (a) institute a rigorous monitoring mechanism to ensure that terminated employees are deactivated in the Atlas system without delay; and (b) consider options to mitigate situations involving future-dated separations to ensure that terminated employees do not have unauthorized access to the Atlas system	On (a), the communication to the Atlas Role Generation and User-provisioning System focal points was improved starting in March 2014, through monthly distribution of Atlas security reports to all focal points. The security reports have been delivered to focal points each month (March, April, May, June, July, and August). This activity partially implements part (a) of the recommendation. Options to make the monitoring mechanisms more rigorous are under discussion. On (b), the ATLAS patch to correctly handle future dated separations has been tested and installed in ATLAS, resolving the issue	Implemented in accordance with the action plan				

No	Financial period first raised	A/69/5/Add.1, chap. II, para. reference	Summary of recommendation by the Board	UNDP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
79	2013	138	UNDP agreed with the recommendation of the Board that it implement an automated e-mail notification to staff members and their supervisors for approvals of advance leave beyond the approved limit of 10 days	The Office of Human Resources to work with the Office of Information Systems and Technology to ensure that upon request for advance leave, the senior manager and supervisor concerned will be notified automatically when leave is applied for through eServices	In progress in accordance with management assessment		x		
80	2013	141	UNDP agreed with the recommendation of the Board that it ensure that country offices establish updated disaster recovery plans and utilize them	Regional bureaux (in collaboration with Bureau of Management) to establish/enhance mechanism to monitor implementation of updated disaster recovery plans with specific priority on countries with special development needs/risk	Implemented in accordance with the action plan	x			
81	2013	144	UNDP agreed with the recommendation of the Board that it (a) monitor the uploading of inventory certificates to ensure that it is done in a timely manner; (b) monitor and control reports from the country offices and attend to issues raised in those reports; and (c) deal with exceptional cases of delayed submissions by the country offices	The Office of Financial Resources Management to enhance the mechanism for monitoring timeliness of uploads of inventory certification and ensure necessary follow up as required as part of year end closing process	Considered implemented	x			
Total						**74**	**7**	**–**	**–**
Percentage						**91**	**7**	**–**	**–**

Annex II

Disclosure by management of cases of fraud and presumptive fraud

A. Cases received and resolved in 2014

No.	*Region*	*Date of occurrence*	*Date reported or detected*	*Nature*	*Description of the issue*	*Remedial action against the persons involved*	*Loss (United States dollars)*	*Amount recovered (United States dollars)*	*Management action to deter recurrence*
1	Africa	2012-2013	10 April 2014	Theft and embezzlement	Staff member allegedly embezzled $300 from the petty cash fund	Closed after assessment; subject resigned from UNDP	300	–	Implementation to be determined
2	Arab States	Unknown	6 May 2014	Theft and embezzlement	Fuel tickets, with an approximate value of $4,400, were stolen	Closed after assessment; an investigation by Office of Audit and Investigations would be unlikely to result in a positive outcome, given the lack of any apparent evidence and the difficulty in identifying when the theft occurred	4 400	–	The matter has been referred to national authorities
3	Africa	April 2014	23 June 2014	Theft and embezzlement	Cheques amounting to $28,550 were forged and cashed, likely by persons outside of the organization	Closed after assessment	28 550	–	The matter has been referred to national authorities
4	Africa	10 November 2013	14 October 2014	Theft and embezzlement	Laptops and vehicle plates listed on UNDP inventory could not be located and were presumed stolen	Closed after assessment; due to the delay in reporting the theft, further investigation was not likely to be fruitful	At least 5 500	–	The country office has installed closed-circuit television, strengthened entry and exit procedures, commenced searches of vehicles exiting the compound, added guards patrolling the compound during and after working hours and recruited a Local Security Assistant to strengthen the Security Team

No	Region	Date of occurrence	Date reported or detected	Nature	Description of the issue	Remedial action against the persons involved	Loss (United States dollars)	Amount recovered (United States dollars)	Management action to deter recurrence
5	Arab States	1 March 2012 and May 2013	4 March 2014	Misrepresentation, forgery and/or false certification	Non-governmental organization (NGO) submitted fraudulent invoices for reimbursement	Closed after assessment; subject has retired and subject's NGO is no longer operational. UNDP is negotiating with the NGO to recover the loss	33 823	–	Implementation to be determined
6	Asia Pacific	2013-2014	6 May 2014	Theft and embezzlement	Service contractor embezzled project funds by falsifying bank statements and financial reports	Investigation report sent to country office. Subject returned embezzled funds and subject's contract was not renewed	10 763	10 763	Implementation to be determined
7	Arab States	2006-2012	12 December 2014	Entitlement fraud	Service contractor committed medical insurance fraud	Closed after assessment due to delay in receiving allegations; subject retired in 2007	5 680	–	Implementation to be determined
	Subtotal						**89 016**	**10 763**	

B. Cases received in 2014 and still pending

No	Region	Date of occurrence	Date reported or detected	Nature	Amount involved (United States dollars)	Description of the issue
1	Africa	March-August 2013	26 December 2014	Entitlement fraud	74 670	Staff member allegedly committed medical insurance fraud
2	Africa	January-March 2014	30 April 2014	Misrepresentation, forgery and/or false certification	17 424	NGO allegedly submitted an invoice to UNDP for reimbursement of the cost to attend a workshop that did not exist
3	Africa	December 2012	5 May 2014	Misrepresentation, forgery and/or false certification	120 000	National implementing partner allegedly submitted fraudulent expenditures
4	Africa	2008-2014	4 June 2014	Entitlement fraud	4 179	Service contractor allegedly committed medical insurance fraud
5	Africa	Unknown	3 October 2014	Theft and embezzlement	Unclear/amount being assessed	Two staff members allegedly misappropriated fuel

No.	Region	Date of occurrence	Date reported or detected	Nature	Amount involved (United States dollars)	Description of the case
6	Africa	May 2014	27 June 2014	Misrepresentation, forgery and false certification	8 100	United Nations Volunteer allegedly claimed daily subsistence allowance for a mission he never took and misappropriated UNDP assets
7	Africa	September-October 2014	21 October 2014	Theft and embezzlement	Unclear/amount being assessed	Service contractor allegedly embezzled funds
8	Africa	Unknown	5 November 2014	Procurement fraud	Unclear/amount being assessed	Staff member allegedly demanded an improper payment from an NGO contracted in a UNDP project
9	Africa	April-October 2014	20 November 2014	Theft and embezzlement	Unclear/amount being assessed	Staff member allegedly created fraudulent transactions and misused funds for newly recruited national United Nations Volunteers
10	Africa	Unknown	7 July 2014	Theft and embezzlement	Unclear/amount being assessed	Service contractor allegedly misused UNDP funds
11	Africa	Unknown	30 July 2014	Theft and embezzlement	4 974	Staff and project personnel allegedly misappropriated project funds
12	Africa	2004-2014	12 June 2014	Procurement fraud	931 883	Staff member allegedly caused UNDP to pay amounts to six vendors, three of which are allegedly fictitious, for works never commissioned
13	Arab States	2012-2014	27 March 2014	Procurement fraud	Unclear/amount being assessed	Staff member and service contractor allegedly solicited improper payments from NGOs working with UNDP
14	Arab States	December 2013-January 2014	28 April 2014	Misrepresentation, forgery and/or false certification	Unclear/amount being assessed	Project personnel allegedly made improper withdrawals and payments from project funds
15	Arab States	2010-2014	16 April 2014	Misrepresentation, forgery and/or false certification	1 950 000	Project personnel allegedly misused project funds
16	Arab States	Unknown	5 December 2014	Theft and embezzlement	Unclear/amount being assessed	National implementing partner allegedly withdrew funds without authorization
17	Asia Pacific	2011-2012	19 September 2012	Entitlement fraud	10 963	Staff member allegedly committed medical insurance fraud
18	Asia Pacific	2014	20 November 2014	Misrepresentation, forgery and/or false certification	172 000	National implementing partner allegedly submitted several fraudulent requests for reimbursement of travel expenditures
19	Asia Pacific	2012-2014	5 August 2014	Entitlement fraud	203	Service contractor allegedly committed medical insurance fraud
20	Asia Pacific	2013	21 May 2014	Misrepresentation, forgery and/or false certification	At least 4,700	Three staff members allegedly forged signatures on payment vouchers

No.	Region	Date of occurrence	Date reported or detected	Nature	Amount involved (United States dollars)	Description of the issue
21	Asia Pacific	2012	22 May 2014	Theft and embezzlement	35 000	Project and vendor personnel have allegedly embezzled project funds
22	Asia Pacific	June 2013- February 2014	11 March 2014	Theft and embezzlement	5 000	Staff member allegedly collected cash amounts/credit balances from UNDP ticket purchases from the country office travel agent company without authorization
23	Europe and Commonwealth of Independent States	Unknown	3 April 2014	Procurement fraud	Unclear/amount being assessed	Sub-recipient of global fund grants allegedly requested vendors to sign documentation for goods at inflated prices
24	Latin America and Caribbean	November-December 2013	24 October 2014	Misrepresentation, forgery and/or false certification	Unclear/amount being assessed	Project personnel allegedly submitted falsified travel invoices to claim additional daily subsistence allowance
25	Latin America and Caribbean	2009-2014	24 September 2014	Entitlement fraud	10 772	Staff member allegedly committed medical insurance fraud
26	Latin America and Caribbean	2010-2013	24 September 2014	Entitlement fraud	39 388	Service contractor allegedly committed medical insurance fraud
27	Latin America and Caribbean	Unknown	10 December 2014	Misrepresentation, forgery and/or false certification	Unclear/amount being assessed	Vendor allegedly submitted false documentation to justify fraudulent expenditures
28	Headquarters	November 2014	8 December 2014	Entitlement fraud	Unclear/amount being assessed	Staff member allegedly falsified his apartment rental costs to claim an inflated reimbursement
29	Various	Various	Various	Procurement fraud	Unclear/amount being assessed	Six additional cases were reported in 2014 that are currently being investigated for conflict of interest, bribery and procurement fraud
Total					**3 389 256**	

Chapter III
Financial report for the year ended 31 December 2014

A. Introduction

1. In accordance with United Nations Development Programme (UNDP) financial regulation 26.01, the Administrator hereby submits the financial statements of UNDP for the year ended 31 December 2014.

2. The report of the Board of Auditors, their opinion on the financial statements and the comments of UNDP on the substantive observations are submitted in accordance with UNDP financial regulation 4.04.

3. UNDP was established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP is politically neutral and partners with entities and people at all levels of society to help countries achieve the simultaneous eradication of poverty and significant reduction of inequalities and exclusion. UNDP works, primarily through its offices, in more than 170 countries and territories and provides a global perspective and local insight to help empower lives and build resilient nations. In accordance with the UNDP strategic plan 2014-2017, the Programme's work will be organized around a focused set of seven outcomes: (a) growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded; (b) citizen expectations for voice, development, the rule of law and accountability are met by stronger systems of democratic governance; (c) countries have strengthened institutions to progressively deliver universal access to basic services; (d) faster progress is achieved in reducing gender inequality and promoting women's empowerment; (e) countries are able to reduce the likelihood of conflict and lower the risk of natural disasters, including from climate change; (f) early recovery and rapid return to sustainable development pathways are achieved in post-conflict and post-disaster settings; and (g) development debates and actions at all levels prioritize poverty, inequality and exclusion, consistent with our engagement principles.

4. As the principal United Nations entity on the ground in 170 countries and territories, UNDP provides services, on a cost recovery basis, to 68 United Nations agencies, including peacekeeping missions. In 2014, the value of transactions processed on behalf of United Nations agencies was $556 million (2013: $578 million).

5. UNDP administers United Nations Volunteers, the United Nations organization that promotes volunteerism to support peace and development worldwide. The operations of United Nations Volunteers are reflected in the financial statements of UNDP. The key results of 2014 were: (a) mobilization of volunteers for the delivery of peace and development results; (b) increased acknowledgement of volunteers and volunteerism as powerful resources and vital components of sustainable development; and (c) the enhancement or forging of traditional and new partnerships within and outside of the United Nations. During 2014, 6,325 United Nations Volunteers from 155 countries supported partner United Nations entities in their peace and development activities in the field through 6,433 assignments. With over 80 per cent of United Nations Volunteers coming from countries of the global South, and 66 per cent working in countries other than their own, South-South cooperation is a natural focus area of the organization. The United Nations

Volunteers online volunteering service continued to expand during the year, reaching a total of 422,125 users across the globe and mobilizing over 10,887 online volunteers, who handled 16,134 volunteer assignments over the Internet.

6. UNDP administers the Junior Professional Officers programme on behalf of 15 United Nations entities. During 2014, a total of 243 professionals were administered by UNDP, including 223 Junior Professional Officers and 20 special assistants to Resident Coordinators. For the professionals placed in the programme in 2014, UNDP received $13.8 million in contributions and incurred $17.8 million in expenses.

7. The UNDP Administrator is responsible for the administration of the United Nations Capital Development Fund, which provides seed capital and technical assistance to promote sustainable inclusive growth in the least developed countries. While the Administrator continues to administer the Fund, beginning in 2012, in compliance with the International Public Sector Accounting Standards (IPSAS), the Fund prepared its financial statements separately from UNDP.

B. Financial performance

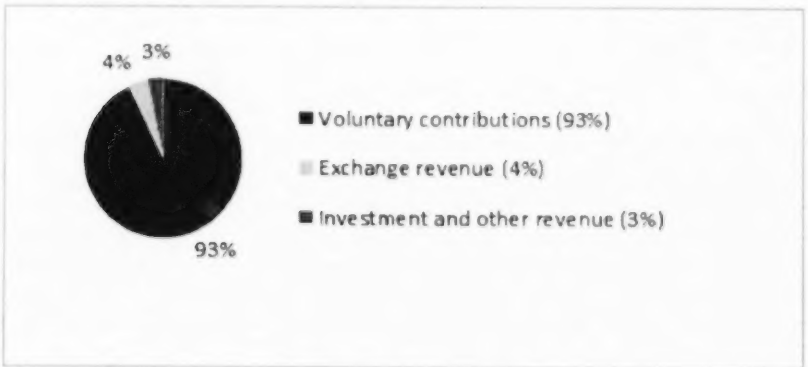
8. The total revenue of UNDP for 2014, that is, contributions and other revenue, was $5 billion (2013 (restated): $5.153 billion), compared with total expenses of $5.314 billion (2013 (restated): $5.246 billion), resulting in higher total expenses over total revenue of $313.4 million (2013 (restated): $93.2 million) in the year, drawing upon the accumulated surpluses which represent advance funding from UNDP partners of $3.833 billion (2013 (restated): $4.369 billion) from prior years.

Revenue analysis

Revenue by nature

9. The total revenue of UNDP in 2014 was $5 billion, of which $4.64 billion, or 93 per cent, was from voluntary contributions, $195.82 million, or 4 per cent, was from exchange revenue, and $160.65 million, or 3 per cent, was from investment and other revenue.

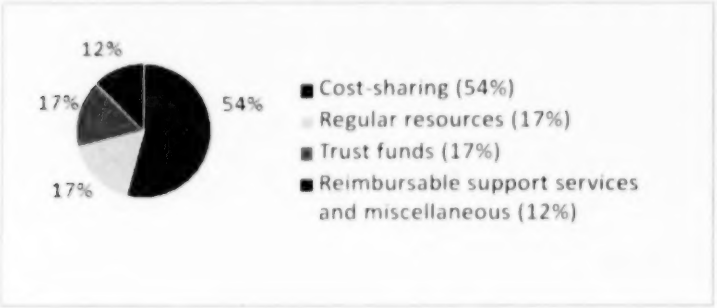
Figure III.I
Composition of total revenue in 2014 by nature



Revenue by segment

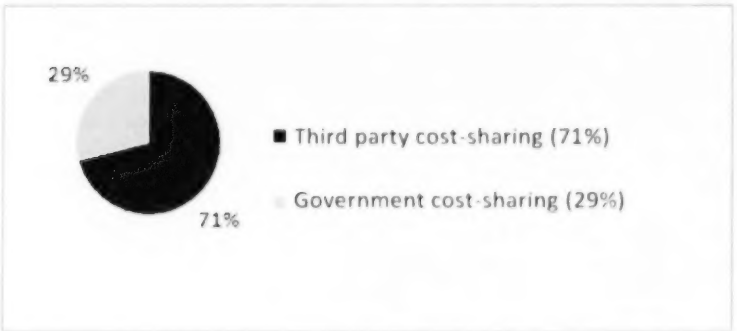
10. Analysis of revenue by segment[2] shows that cost-sharing is the largest revenue source, providing 54 per cent of the revenue of UNDP in 2014, followed by regular resources, providing 17 per cent, trust funds, providing 17 per cent, and reimbursable support services and miscellaneous activities providing 12 per cent.

Figure III.II
Composition of total revenue in 2014 by segment



11. Within cost-sharing revenue totalling $2.829 billion, third-party cost-sharing provided 71 per cent of the revenue and government cost-sharing provided 29 per cent of the revenue.

Figure III.III
Composition of cost-sharing revenue in 2014 by type



Expense analysis

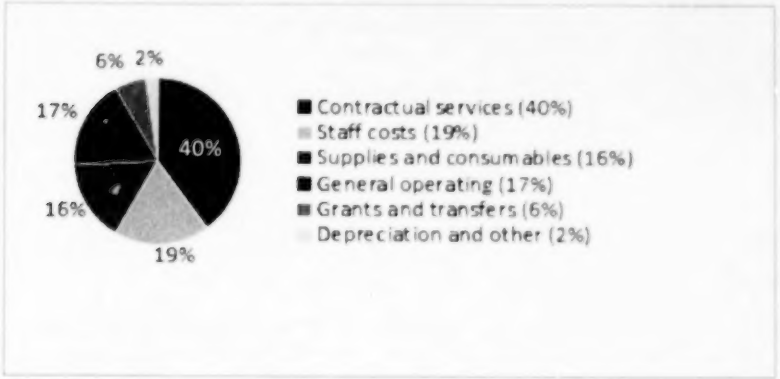
Expenses by nature

12. The total expenses of UNDP in 2014 were $5.314 billion. Considering that the mandate of UNDP is to provide knowledge, policy advice, advocacy and technical support to governments and other implementing partners, the largest expense category by nature in 2014 was contractual services with individuals and companies of $2.114 billion, or 40 per cent. The remaining expenses by nature are: $986.8 million, or 19 per cent, for staff costs; $919.8 million, or 17 per cent, for

[2] Excludes the effect of inter-fund elimination.

general operating expenses; $842.2 million, or 16 per cent, for supplies and consumables used; $330.9 million, or 6 per cent, for grants and other transfers; and $120.7 million, or 2 per cent, for depreciation and other expenses.

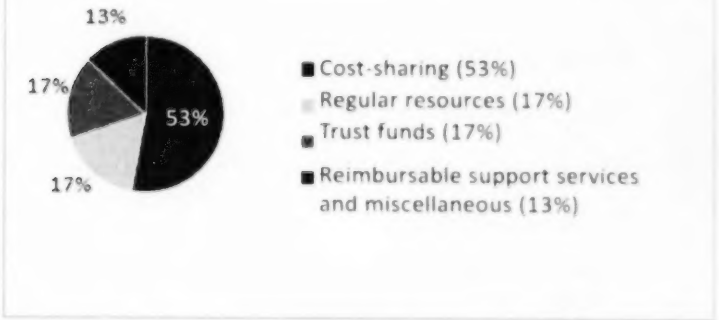
Figure III.IV
Composition of total expenses in 2014 by nature



Expenses by segment

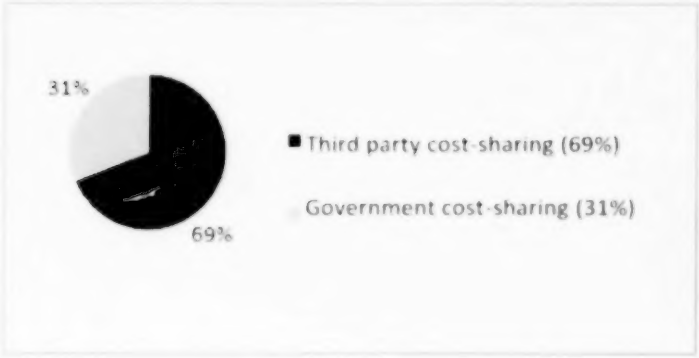
13. Of the total expenses for 2014,[1] 53 per cent was spent on cost-sharing, 17 per cent on regular resources, 17 per cent on trust funds and 13 per cent on reimbursable support services and miscellaneous activities.

Figure III.V
Composition of total expenses in 2014 by segment



14. Within cost-sharing expenses, totalling $2.923 billion, 69 per cent was spent on third-party cost-sharing and 31 per cent was spent on government cost-sharing.

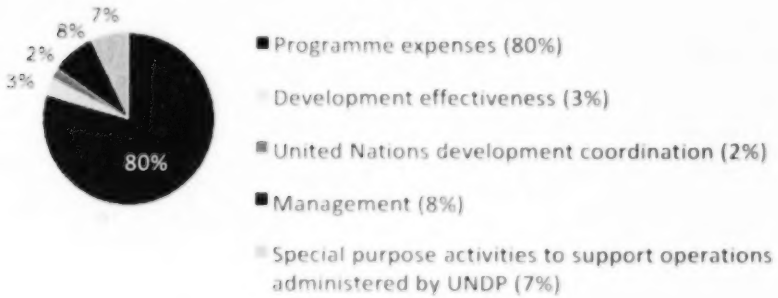
Figure III.VI
Composition of cost-sharing expenses in 2014 by type



Expenses by cost classification

15. The UNDP Executive Board approved four broad cost classification categories: (a) development activities, which encompass subcategories programme activities and development effectiveness activities; (b) United Nations development coordination activities; (c) management activities; and (d) special purpose activities. Of total UNDP expenses by cost-classification category[1] prescribed by the Executive Board, 80 per cent was spent on programme activities, 3 per cent was spent on development effectiveness, 2 per cent was spent on United Nations development coordination, 8 per cent was spent on management and 7 per cent was spent on special purpose activities to support operations administered by UNDP.

Figure III.VII
Composition of total expenses in 2014 by cost classification

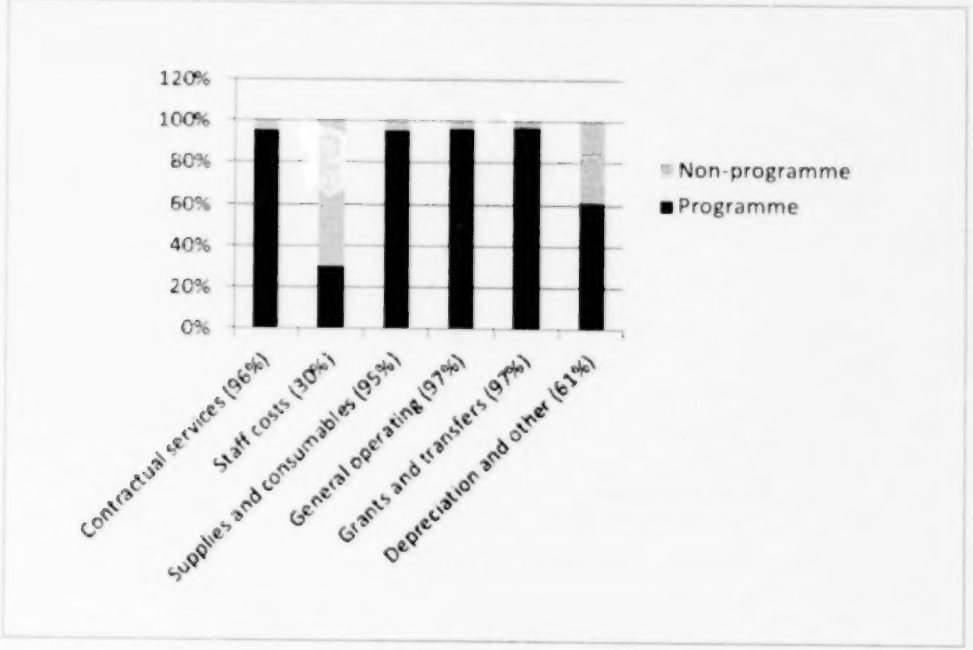


Expenses relating to programme

16. In terms of the expense categories attributed to UNDP programme activities, in total, $4.397 billion (2013 (restated): $4.355 billion) of the total expenses of UNDP were programme expenses reflecting the development nature of the operations of UNDP. By expense category, 96 per cent of the total contractual services with individuals and companies were programme expenses. Similarly, 30 per cent of staff costs, 95 per cent of supplies and consumables used, 97 per cent

of general operating expenses, 97 per cent of grants and other transfers and 61 per cent of depreciation and other expenses were programme expenses.

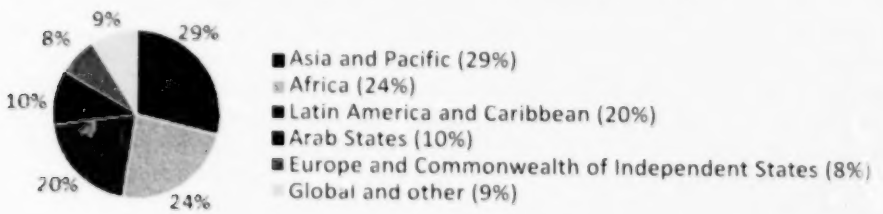
Figure III.VIII
Composition of programme expenses in 2014 by nature



Programme expenses by geographical region

17. Of total programme expenses of $4.397 billion, by geographical region, 29 per cent correspond to Asia and the Pacific, 24 per cent to Africa, 20 per cent to Latin America and the Caribbean, 10 per cent to Arab States, 8 per cent to Europe and the Commonwealth of Independent States and 9 per cent to the global and other regional category.

Figure III.IX
Composition of programme expenses in 2014 by geographical region



Financial performance by segment

18. In 2014, while segments, that is, regular resources, cost-sharing, trust funds and reimbursable support services and miscellaneous activities, showed annual expenses that were higher than annual revenue by $313.4 million, it is noted that UNDP partners provided funding in advance and that the accumulated surpluses of $3.833 billion was sufficient to absorb the current-year deficit. Note 6 to the financial statements, on segment reporting, provides details of financial performance by segment, which is summarized in table III.1.

Table III.1
Summary of financial performance by segment in 2014
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fund elimination*	*Total*
Total revenue	878.4	2 828.9	864.1	652.1	(222.6)	**5 000.9**
Total expenses	939.6	2 922.7	960.1	714.5	(222.6)	**5 314.3**
Surplus/(deficit)	**(61.2)**	**(93.8)**	**(96.0)**	**(62.4)**	–	**(313.4)**
Total accumulated surpluses	**(29.5)**	**2 656.4**	**795.6**	**410.1**	–	**3 832.6**

Summary of financial performance by segment in 2013 (restated)
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fund elimination*	*Total*
Total revenue	969.9	3 028.8	755.0	612.4	(212.9)	**5 153.2**
Total expenses	999.0	2 832.5	976.0	651.9	(212.9)	**5 246.5**
Surplus/(deficit)	**(29.1)**	**196.3**	**(221.0)**	**(39.5)**	–	**(93.3)**
Total accumulated surpluses	**150.0**	**2 755.9**	**891.5**	**571.7**	–	**4 369.1**

19. While current-year deficits were funded through accumulated surpluses from prior years, and while this practice can be sustained in the short term for some segments, such as cost-sharing and trust funds, it cannot be sustained for the business activities of UNDP that are funded through regular resources. Despite enormous challenges, UNDP met its three-month minimum liquidity requirement for regular resources in 2014, maintaining a liquidity reserve of 3.1 months of average expenses, within the minimum threshold of liquidity required by the Executive Board.

20. Through the development of the UNDP strategic plan 2014-2017 and the agenda for organizational change, which is currently being implemented, UNDP is establishing a path that will address the continuing downturn in revenue through

transformational change, structural realignment, enhanced business development and resource mobilization.

21. UNDP is in the process of a corporate restructuring, the implementation of which began in 2014, with the goal of improving its institutional effectiveness through better functional and geographic integration at headquarters and the regional level, in order to meet its strategic plan objectives. Expenses incurred in 2014 relating to the structural change are $25.838 million. Note 34 provides an illustration of the impact of these structural change expenses on the statement of financial performance.

C. Budgetary performance

22. The budget of UNDP continues to be prepared on a modified cash basis and is presented in the financial statements as statement V, comparison of budget and actual amounts (regular resources), and note 7, comparison to budget. In order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, a reconciliation of the budget to the cash flow statement is also included in note 7.

23. Approved budgets are those that permit budget expenditures to be incurred and are approved by the UNDP Executive Board. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. The UNDP Executive Board has approved a four-year integrated budget covering 2014-2017, with estimates provided for the 2014-2015 and 2016-2017 periods. While the Programme's approved budgets are for a four-year period, UNDP allocates those budgets into annual amounts, whose total comprises the four-year approved budget, in order to provide the budget-to-actual comparison of the annual financial statements. In addition to the annual statement V (statement V (a), comparison of budget and actual amounts (regular resources)), at the end of the second year of the two-year period, UNDP will also present a biennial statement V (statement V (b), comparison of budget and actual amounts (regular resources)). As other resources of UNDP are a forward estimate and projection based on assumptions about future events and are not formally approved by the Executive Board, the other resources are not presented in statement V. During 2014, UNDP revised the annual spending limits, noting the reduced level of voluntary contributions, in order to ensure improved burden-sharing and greater efficiency. This resulted in overall lower expenditure compared with the annualized 2014-2017 budget approved by the Executive Board. The comparison of utilization against annualized budget levels for 2014 is shown in table III.2.

Table III.2
Budget utilization rates for 2014

Budget components	*Annualized approved final budget (millions of United States dollars)*	*Actual utilization rate (percentage)*
Development activities	611.4	90
United Nations development coordination activities	90.8	98
Management activities	187.0	96
Special purpose activities to support operations administered by UNDP	19.5	83
Additional resources for security measures (in accordance with Executive Board decision 2013/28)	3.5	76
Total	**912.2**	**91**

24. The integrated resource plan of UNDP encompasses the integrated budget. The integrated resource plan estimates will be used in the integrated results and resources framework (covering development impact, development outcomes, UNDP outputs and organizational efficiency and effectiveness) of the strategic plan.

D. Financial position

Assets

25. UNDP assets of $6.503 billion (2013 (restated): $6.721 billion) were comprised largely of investments of $5.347 billion (2013: $4.722 billion), cash and cash equivalents of $554.4 million (2013 (restated): $1.306 billion) and receivables of $206.1 million (2013 (restated): $232.2 million) (total: $6.108 billion, or 94 per cent). The large majority of investments and cash and cash equivalents are earmarked for cost-sharing and trust funds. The remaining assets balance comprised: advances issued as operating funds to implementing partners of $243.8 million (2013 (restated): $324.2 million); property, plant and equipment of $116 million (2013 (restated): $100.3 million), of which 84 per cent represented management assets and 16 per cent represented project assets; inventory of $18.2 million (2013 (restated): $17.8 million), consisting primarily of medical supplies and equipment for programmes being implemented on behalf of the Global Fund to Fight AIDS, Tuberculosis and Malaria; loans to governments of $8.1 million (2013: $10.8 million); intangible assets of $7.6 million (2013 (restated): $7.4 million), consisting primarily of internally developed software; and other assets of $1 million (2013: $1.3 million), consisting primarily of dispensary, medical and other receivables.

Cash, cash equivalents and investments

26. As at 31 December 2014, UNDP held cash, cash equivalents and investments of $5.902 billion (2013 (restated): $6.027 billion), of which $526.2 million (2013: $496.6 million) were funds provided by donors "held in trust" for multi-donor trust funds and the UNDP-Spain Millennium Development Goals Achievement Fund. During 2014, UNDP maintained its vigilance of credit risks in the light of continued

uncertainty in global financial condition, in particular with respect to euro areas. In addition to its own funds, UNDP manages investments in separate portfolios on behalf of a number of United Nations agencies. As at 31 December 2014, UNDP managed a total of $8.0 billion in investments for its own programme and for other United Nations entities (the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the United Nations Population Fund (UNFPA), the United Nations Capital Development Fund and the United Nations Office for Project Services (UNOPS)) under service agreements. The investment revenue of UNDP was $38.6 million in 2014 (2013: $54.6 million).

27. UNDP has an Investment Committee comprising senior management, which meets quarterly to review the investment portfolio performance of UNDP and to ensure that investment decisions are in compliance with established its Investment Guidelines.

Receivables

28. As at 31 December 2014, UNDP had receivables of $206.1 million (2013 (restated): $232.2 million), which included: receivables due from United Nations agencies of $2.6 million (2013: $53.4 million); contributions receivable pending from donors of $149.9 million (2013 (restated): $139.2 million); and the remaining amount of $53.6 million (2013 (restated): $39.6 million) was primarily investment receivables of $32.2 million (2013: $28.1 million).

Advances issued

29. As at 31 December 2014, UNDP had outstanding advances of $243.8 million (2013 (restated): $324.2 million). Of that amount, $115.5 million was composed of advances for nationally executed projects (2013: $113.9 million), $33.2 million (2013 (restated): $36.5 million) had been advanced to United Nations agencies for project implementation and the remaining amount of $95.1 million (2013: $173.8 million) consisted primarily of advances to the United Nations Children's Fund for medical supplies.

30. In fulfilling its mandate, UNDP transfers cash to executing entities or implementing partners as a cash advance. Advances issued are recorded as assets and converted to expenses once the certified expense reports are received and accepted by UNDP.

31. UNDP monitors programme expenses to ensure they are incurred in compliance with project documents and work plans. Monitoring activities include field visits, comparisons of expense reports to work plans and narrative reports, monitoring of progress towards outputs and outcomes and prescribed audits. The Office of Audit and Investigations reviews the audit reports covering the audit of projects that are implemented by national institutions or by non-governmental organizations. UNDP also monitors the outstanding balance of funds advanced to Governments and non-governmental organizations to ensure that financial reports are received on a timely basis and that appropriate action is taken on audit report recommendations.

Property, plant and equipment and intangible assets

32. As at 31 December 2014, UNDP held property, equipment and intangible assets of $123.6 million (2013 (restated): $107.7 million), of which property and equipment were $116 million (2013 (restated): $100.3 million). Of that amount, $35.7 million (2013 (restated): $35.8 million) represented land and buildings; the remaining property and equipment consisted mainly of information technology assets and vehicles. All management assets meeting capitalization thresholds were capitalized by UNDP, as were project assets acquired on or after 1 January 2012 that UNDP controls. Project assets that were not controlled by UNDP are expensed as incurred. UNDP applied the transitional provision allowed under IPSAS and will capitalize project assets under the control of UNDP that were acquired before 2012 by 2015. Of the total number of items under property, plant and equipment held as at 31 December 2014, 16 per cent represented project assets and 84 per cent represented management assets.

33. Intangible assets held as at 31 December 2014 amounted to $7.6 million (2013 (restated): $7.4 million), of which $5.3 million (2013 (restated): $5.2 million), or 70 per cent, related to internally developed software.

Liabilities

34. The liabilities of UNDP in the amount of $2.317 billion (2013 (restated): $1.992 billion) largely comprised employee benefits of $1.413 billion (2013: $1.114 billion), including after-service health insurance, repatriation and death benefits (all of which are valued by independent actuaries) and annual leave. The principal employee benefit liability of after-service health insurance is valued at $1.142 billion (included in the total employee benefits amount) (2013: $858.2 million), of which $499.9 million (44 per cent) has been funded. A funding strategy of 15 years has been formulated to fund the gap between the historical liability and the amount funded. The funding strategy will be adjusted, if needed, following the next actuarial valuation.

35. Other than employee benefits, the total liabilities of UNDP also include: payables-funds held in trust of $593.3 million (2013: $552.8 million), which relate primarily to multi-donor trust funds for which UNDP serves as the administrative agent; accounts payable and accrued liabilities of $161.6 million (2013 (restated): $126.7 million); funds received in advance and deferred revenue of $76.9 million (2013: $153.9 million); funds held on behalf of donors of $46.6 million (2013: $19.4 million); other liabilities, consisting primarily of unapplied deposits of $10 million (2013: $8.5 million); and advances payable of $10.1 million (2013: $16.7 million).

Net assets/equity

36. Net assets/equity of $4.185 billion reflects amounts received as advance funding from UNDP partners from prior years for activities funded under the integrated resources plan. Net assets/equity includes accumulated surpluses of $3.833 billion and reserves of $352.6 million, of which the operational reserve accounted for $349 million (99 per cent of total reserves). During 2014, net assets/equity was impacted primarily by: (a) a deficit of $313.4 million; and (b) an increase in the value of the liability for after-service health insurance ("actuarial

loss") of $225.63 million owing to external economic conditions and changes in actuarial assumptions.

Financial position by segment

37. The financial position of UNDP by segment and UNDP in aggregate, as included in note 6 on segment reporting to the financial statements, is summarized in table III.3.

Table III.3
Summary of financial position by segment as at 31 December 2014
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 830.8	2 748.6	824.3	1 098.8	6 502.5
Percentage of total UNDP assets	**28**	**42**	**13**	**17**	**100**
Total liabilities	1 652.7	92.2	25.6	546.8	2 317.3
Percentage of total UNDP liabilities	**71**	**4**	**1**	**24**	**100**
Net assets/equity	178.1	2 656.4	798.7	552.0	4 185.2
Percentage of total UNDP net assets/ equity	**5**	**63**	**19**	**13**	**100**

Summary of financial position by segment as at 31 December 2013 (restated)
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 741.0	2 943.9	921.3	1 115.3	6 721.5
Percentage of total UNDP assets	**26**	**44**	**14**	**16**	**100**
Total liabilities	1 378.3	188.0	26.7	398.6	1 991.6
Percentage of total UNDP liabilities	**69**	**10**	**1**	**20**	**100**
Net assets/equity	362.7	2 755.9	894.6	716.7	4 729.9
Percentage of total UNDP net assets/ equity	**8**	**58**	**19**	**15**	**100**

E. Accountability, governance and risk management

38. Accountability and governance of UNDP has four facets: (a) UNDP governing bodies and governance committees — the General Assembly, the Economic and Social Council, the UNDP Executive Board and the Fifth Committee; (b) UNDP accountability to its programmatic partners and beneficiaries — donors, programme governments, United Nations partners, implementing partners and project beneficiaries; (c) institutional oversight mechanisms of UNDP: (i) independent external oversight — the Advisory Committee on Administrative and Budgetary

Questions, the Board of Auditors, the Joint Inspection Unit and the Audit Advisory Committee; (ii) independent internal oversight — the Office of Audit and Investigations, the Ethics Office and the Evaluation Office; and (d) UNDP internal accountability — the Administrator and Associate Administrator, the Executive Office, the Executive Group, the Operations Group, regional and headquarters bureaux, regional centres and country offices.

39. Assurance that all the resources, including financial resources, entrusted to UNDP have been managed efficiently and effectively to achieve the expected development results is embedded in the way in which UNDP exercises stewardship over those resources.

40. UNDP has implemented a sound system of internal controls to ensure that effective risk management is integrated into normal business processes and is aligned to the strategic objectives of the organization. Regarding risk management of cash and investments, the risk management policies of UNDP with relation to treasury operations aim to minimize potential adverse effects on the resources available to UNDP to fund its development activities. The principal objectives of the UNDP risk management approach are: (a) safety, that is, the preservation of capital, provided through investing in high-quality fixed-revenue securities, emphasizing the creditworthiness of the issuers; (b) liquidity, that is, the flexibility to meet cash requirements through investments in highly marketable fixed-revenue securities and through structuring maturities to align with liquidity requirements; and (c) revenue, that is, the maximization of investment revenue within safety and liquidity parameters. UNDP utilizes funds to implement development activities in accordance with its Financial Regulations and Rules and its policies and procedures, which encompass strong risk mitigation and monitoring and assurance mechanisms.

F. Looking forward to 2015 and beyond

41. The overall financial position of UNDP at the end of 2014 was positive. Implementation of the UNDP strategic plan 2014-2017 will continue the transformational programme aimed at enabling UNDP to deliver effectively, responsively and with greater cost economy, and to better position UNDP to help countries deliver on the post-2015 agenda and sustainable development goals.

Chapter IV

Financial statements for the year ended 31 December 2014

United Nations Development Programme

I. Statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	Note	31 December 2014	31 December 2013 (restated)
Assets			
Current assets			
Cash and cash equivalents	8	426 775	1 075 935
Cash and cash equivalents — funds held in trust	8	127 592	229 750
Investments	9	2 129 312	2 432 889
Investments — funds held in trust	9	239 302	240 331
Receivables — non-exchange transactions	10	149 910	139 169
Receivables — exchange transactions, net	11	56 143	93 075
Advances issued, net	12	243 817	324 230
Loans to governments	15	892	772
Inventories	13	18 182	17 769
Other current assets, net	14	997	1 270
Total current assets		**3 392 922**	**4 555 190**
Non-current assets			
Investments	9	2 819 521	2 022 042
Investments — funds held in trust	9	159 260	26 480
Loans to governments	15	7 215	10 039
Property, plant and equipment	16	115 973	100 336
Intangible assets	17	7 646	7 407
Total non-current assets		**3 109 615**	**2 166 304**
Total assets		**6 502 537**	**6 721 494**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	18	161 608	126 697
Advances payable	19	10 055	16 667
Funds received in advance and deferred revenue	20	68 247	147 071
Funds held on behalf of donors	20	46 625	19 355
Payables — funds held in trust	21	434 087	526 325
Employee benefits	22	199 828	185 649
Other current liabilities	23	10 014	8 510
Provision for restructuring	34	5 592	–
Total current liabilities		**936 056**	**1 030 274**

United Nations Development Programme

I. Statement of financial position as at 31 December 2014 (continued)

	Note	*31 December 2014*	*31 December 2013 (restated)*
Non-current liabilities			
Payables — funds held in trust	21	159 260	26 480
Funds received in advance and deferred revenue	20	8 687	6 827
Employee benefits	22	1 213 278	928 037
Other non-current liabilities	23	19	2
Total non-current liabilities		**1 381 244**	**961 346**
Total liabilities		**2 317 300**	**1 991 620**
Net assets/equity			
Reserves	24	352 638	360 638
Accumulated surpluses	25	3 832 599	4 369 236
Total net assets/equity		**4 185 237**	**4 729 874**
Total liabilities and net assets/equity		**6 502 537**	**6 721 494**

The accompanying notes form an integral part of these financial statements.

United Nations Development Programme

II. Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	*2014*	*2013 (restated)*
Revenue			
Voluntary contributions, net[a]	26	4 644 445	4 837 145
Revenue: exchange transactions	27	195 821	194 748
Investment revenue	28	38 587	54 569
Other revenue	29	122 062	66 729
Total revenue		**5 000 915**	**5 153 191**
Expenses[b]			
Contractual services	30	2 113 879	2 157 170
Staff costs	30	986 815	985 120
Supplies and consumables used	30	842 229	752 380
General operating expenses	30	919 838	869 511
Grants and other transfers	30	330 872	352 291
Other expenses	30	101 300	115 407
Depreciation and amortization	30	10 699	7 995
Finance costs	30	8 668	6 560
Total expenses		**5 314 300**	**5 246 434**
Deficit for the year		**(313 385)**[c]	**(93 243)**

[a] Voluntary contributions are net of returns to donors of unused contributions.

[b] Includes expenses of $25.838 million relating to the structural change. See note 34 for details.

[c] Deficit for the year draws down on the unspent accumulated surplus resource balances.

The accompanying notes form an integral part of these financial statements.

United Nations Development Programme

III. Statement of changes in net assets/equity for the year ended 31 December 2014

(Thousands of United States dollars)

	Reserves	*Accumulated surpluses*	*Total net assets equity*
Balance at 31 December 2013	**360 638**	**4 375 774**	**4 736 412**
Prior-period adjustments (note 5)	–	4 354	4 354
Change in accounting policy (note 5)	–	(10 892)	(10 892)
Balance at 31 December 2013 (restated)	**360 638**	**4 369 236**	**4 729 874**
Changes in net assets/equity			
Operational reserve transfer to accumulated surplus	(8 000)	8 000	–
Funds with specific purposes (note 25)	–	(5 370)	(5 370)
Changes in fair value of available-for-sale investments	–	(256)	(256)
Actuarial losses, net	–	(225 626)	(225 626)
Deficit for the year	–	(313 385)	(313 385)
Total revenue and expense recognized directly in net assets/equity	**(8 000)**	**(536 637)**	**(544 637)**
Balance at 31 December 2014	**352 638**	**3 832 599**	**4 185 237**

The accompanying notes form an integral part of these financial statements.

United Nations Development Programme

IV. Cash flow statement for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	2014	2013 (restated)
Cash flows from operating activities			
Deficit for the year		(313 385)	(93 243)
Adjustments to reconcile deficit for the year to net cash flows:			
Depreciation and amortization		10 699	7 995
Impairment, net		33	(157)
In-kind contributions (donated goods)		(191)	(175)
Amortization of premium/(discount) on investments, net		47 957	46 911
(Gains)/losses on foreign exchange translation		20 293	11 260
(Gains)/losses on bonds		–	11
Losses on disposal of property, plant and equipment		691	3 741
Changes in assets			
(Increase)/decrease in receivables: non-exchange transactions		(14 394)	(38 564)
(Increase)/decrease in receivables: exchange transactions, net[a]		(42 595)	312 567
(Increase)/decrease in advances issued, net		72 649	43 041
(Increase)/decrease in inventories		(413)	6 172
(Increase)/decrease in other current assets, net		273	(42)
Changes in liabilities, net assets equity			
(Decrease)/increase in accounts payable and accrued liabilities		35 009	15 409
(Decrease)/increase in advances payable		(6 612)	(1 548)
(Decrease)/increase in funds received in advance and deferred revenue		(76 961)	143 672
(Decrease)/increase in funds held on behalf of donors		27 270	(9 421)
(Decrease)/increase in payables: funds held in trust		40 542	(21 292)
(Decrease)/increase in employee benefits		73 702	77 651
(Decrease)/increase in other current liabilities		1 526	(3 500)
(Decrease)/increase in provision for restructuring		5 592	–
(Decrease)/increase in funds with specific purposes		(5 370)	(3 903)
Net cash flows from/(used in) operating activities		**(123 688)**	**496 585**
Cash flows from investing activities			
Purchases of investments		(4 247 197)	(2 451 046)
Purchases of investments: funds held in trust		(544 938)	(273 167)
Maturities of investments		3 709 290	2 110 482
Maturities of investments: funds held in trust		408 979	247 362
Interest received		79 175	95 883
Decrease in loans to governments		2 704	2 647
Purchases of property, plant and equipment		(32 955)	(35 747)
Disposals of property, plant and equipment		8 267	8 907
Purchases of intangible assets		(3 670)	(2 878)
Disposal of intangible assets		1 283	–
Net cash flows from/(used in) investing activities		**(619 062)**	**(297 557)**

United Nations Development Programme

IV. Cash flow statement for the year ended 31 December 2014 (continued)

	Note	2014	2013 (restated)
Cash flows from financing activities			
Finance lease repayment		(4)	(4)
Net cash flows from/(used in) financing activities		**(4)**	**(4)**
Net increase/(decrease) in cash and cash equivalents, including funds held in trust		**(742 754)**	**199 024**
Effect of exchange rate changes on cash and cash equivalents		**(8 564)**	**(6 378)**
Cash and cash equivalents including funds held in trust: beginning of year		**1 305 685**	**1 113 039**
Cash and cash equivalents including funds held in trust: end of year	**8**	**554 367**	**1 305 685**

[a] This amount includes interest received of $79.175 million in cash as well as an adjustment for foreign exchange translation of $(0.317) million.

The accompanying notes form an integral part of these financial statements.

United Nations Development Programme

V. Statement of comparison of budget and actual amounts (regular resources) for the year ended 31 December 2014

(Thousands of United States dollars)

	Approved budget		*Actual expenditure on comparable basis (note 7)*	*Difference final approved budget and actual expenditure*
	Original	*Final*		
Development activities				
Programme	503 429	503 429	469 888	33 541
Development effectiveness	108 016	108 016	77 730	30 286
Subtotal	**611 445**	**611 445**	**547 618**	**63 827**
United Nations development coordination activities	**90 823**	**90 823**	**88 965**	**1 858**
Management activities				
Recurring	183 846	183 846	176 030	7 816
Non-recurring	3 200	3 200	3 150	50
Subtotal	**187 046**	**187 046**	**179 180**	**7 866**
Special-purpose activities				
Capital investments	4 655	4 655	2 308	2 347
Non-UNDP operations administered by UNDP	14 847	14 847	13 807	1 040
Subtotal	**19 502**	**19 502**	**16 115**	**3 387**
Total	**908 816**	**908 816**	**831 878**	**76 938**
Additional resources for security measures (in accordance with Executive Board decision 2013/28)	3 500	3 500	2 675	825
Grand total	**912 316**	**912 316**	**834 553**	**77 763**

The accompanying notes form an integral part of these financial statements.

United Nations Development Programme
Notes to the financial statements
2014

Note 1
Reporting entity

1.1. The United Nations Development Programme was established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP partners with entities/people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone.

1.2. UNDP has its headquarters in New York, but works primarily through its offices in 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

1.3. The focus of UNDP is helping countries build and share solutions to the challenges of:

- Poverty reduction and achievement of the Millennium Development Goals
- Sustainable development
- Democratic governance and peacebuilding
- Climate and disaster resilience

1.4. UNDP helps developing countries attract and use aid and domestic resources effectively and encourages, in all its activities, the protection of human rights, capacity development and the empowerment of women.

1.5. UNDP is politically neutral and its cooperation is impartial. It seeks to conduct its work in a transparent manner and is accountable to all its stakeholders. UNDP has an Executive Board, established by the General Assembly in its resolution 48/162, which is responsible for providing intergovernmental support to and supervision of UNDP. The amended Financial Regulations and Rules of UNDP (Executive Board decision 2011/33), governs the financial management of UNDP.

1.6. The financial statements include only the operations of UNDP, which has no subsidiaries or interests in associates or jointly controlled entities.

Note 2
Statement of compliance with the International Public Sector Accounting Standards

2.1. The annual financial statements of UNDP have been prepared in accordance with IPSAS and certain transitional provisions as identified in note 3 (Basis of preparation and authorization for issue).

Note 3
Basis of preparation and authorization to submit financial statements for audit

Basis of measurement

3.1. These financial statements are prepared on an accrual basis of accounting in accordance with IPSAS and the Financial Regulations and Rules of UNDP.

3.2. UNDP applies the historical cost principle except where stated in note 4. Accounting policies have been applied consistently throughout the year. The financial year is from January to December.

Foreign currency

3.3. The functional and presentation currency of UNDP is the United States dollar. These financial statements are expressed in thousands of United States dollars unless otherwise stated.

3.4. Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange at the date of the transaction. The operational rates of exchange approximate market/spot rates.

3.5. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date and are recognized in the statement of financial performance.

3.6. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate in effect at the date of the transaction.

3.7. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognized in the statement of financial performance.

Critical accounting estimates

3.8. Preparing financial statements in accordance with IPSAS requires UNDP to make estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; classification of financial instruments; restructuring provision; and contingent assets and liabilities.

Transitional provisions

3.9. IPSAS standards, with effect from 1 January 2012, are applied in accordance with IPSAS transitional provisions as follows:

- For IPSAS 17, "Property, plant and equipment", UNDP has capitalized all management and project assets acquired as at 1 January 2012 and thereafter. Project assets acquired pre-2012 controlled by UNDP have not been capitalized; however, they will be capitalized on 1 January 2015. Pre-2012 management assets have been capitalized. Land and buildings controlled by UNDP and meeting the minimal thresholds for capitalization were recognized at fair value as at 1 January 2012. All other items of property, plant and equipment were initially measured at cost less accumulated depreciation as at 1 January 2012;
- IPSAS 31, "Intangible assets", is applied prospectively. Intangible assets acquired or internally developed before 1 January 2012 have not been capitalized.

Authorization to submit financial statements for audit

3.10. These financial statements are approved and certified by the Administrator, the Assistant Administrator and Director of the Bureau of Management and the Chief Finance Officer/Comptroller of the Bureau of Management of UNDP. In accordance with the UNDP Financial Regulations and Rules, these financial statements are authorized to be submitted for audit on 30 April 2015.

Note 4
Significant accounting policies

Financial assets classification

4.1. UNDP classifies financial assets into the following categories: held to maturity; available for sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNDP initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UNDP becomes party to the contractual provisions of the instrument.

4.2. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currency are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with gains and losses recognized in surplus or deficit in the statement of financial performance.

IPSAS classification	*Type of UNDP financial asset*
Held to maturity	Investments, excluding after-service health insurance investments
Available for sale	After-service health insurance investments
Loans and receivables	Cash and cash equivalents, receivables non-exchange and exchange, advances (e.g. to staff) and loans to Governments
Fair value through surplus or deficit	Derivative assets

Held to maturity financial assets

4.3. Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UNDP has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest rate method. UNDP classifies a substantial portion of its investment portfolio as held to maturity assets.

Available-for-sale financial assets

4.4. Available-for-sale financial assets are those that have been either designated in this category or are not classified in any of the other categories. They are initially recorded at fair value plus transaction costs and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices from knowledgeable third parties. Assets in this category are quoted in active markets or readily convertible to cash.

Loans and receivables

4.5. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

4.6. Cash and cash equivalents include cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of impairment for restricted use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

4.7. Receivables non-exchange comprises contributions receivable which represent uncollected revenue committed to UNDP by donors based on enforceable commitments which are recognized as revenue. These non-exchange receivables are stated at carrying value less impairment for estimated irrecoverable amounts.

4.8. Exchange receivables represent amounts owed to UNDP for services provided by it to other entities. In exchange, UNDP directly receives approximately equal value in the form of cash.

4.9. Advances issued represents cash transferred to executing entities/ implementing partners (refer to note 36.2 for the definition of executing entities/ implementing partners) as an advance. Advances issued are initially recognized as assets and subsequently converted to expense when goods are delivered or services are rendered by the executing entities/implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, i.e., financial reports, funding authorization and certificate of expenditure forms or project delivery reports. Once those certified expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the entities' audited statements or, when such statements are not available at the end of the reporting year, either from the statements submitted by the entities for audit or from the unaudited statements of the entities.

4.10. Prepayments are issued where agreements with UNDP and the executing entity/implementing partner/supplier require up-front payment. Prepayments are recorded as a current asset until goods/services associated with the prepayments are delivered, at which point the expense is recognized and the prepayment is reduced by a corresponding amount.

4.11. UNDP provides advances to staff for up to 12 months for specified purposes in accordance with the Staff Rules and Staff Regulations of the United Nations. These advances have an initial maturity of less than 12 months, and the carrying amount approximates fair value. The carrying amount is stated less any impairment.

4.12. Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities. Loans are carried at the original cost, less any recovery to date. Rent proceeds are applied as repayment of the loan. Subsequent measurement of loans to governments is at amortized cost less any impairment.

Fair value through surplus or deficit

4.13. Fair value through surplus and deficits financial assets are so designated on initial recognition or are held for trading. They are initially recorded at fair value and any transaction costs are expensed. The assets are measured at fair value at each reporting date, and any resultant fair value gains or losses recognized through surplus and deficit. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with UNDP Investment Guidelines. UNDP classifies derivatives as financial assets at fair value through surplus and deficit in the statement of financial performance. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. At 31 December 2014, UNDP had no open foreign exchange derivative instruments positions in this asset category and did not have embedded derivatives requiring separate accounting at fair value through surplus or deficit. UNDP does not apply hedge accounting treatment for derivatives.

4.14. All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year they arise.

Inventories

4.15. Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost and current replacement cost. Inventories held for sale are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. For inventories acquired through a non-exchange transaction (e.g., donated goods), costs are measured at fair value at the date of acquisition.

Property, plant and equipment

4.16. All items of property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses. It is noted that, on

adoption of IPSAS and its transitional provisions, for opening balances, initial capitalization of property, plant and equipment was at fair value. Historical cost includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value at the date of acquisition is deemed to be its cost. The threshold for recognition of property, plant and equipment as an asset is $1,500 or more per unit. On 1 January 2014, UNDP changed its accounting policy in relation to its asset capitalization threshold, increasing it from $500 to $1,500. For further details of this change in accounting policy, please see note 5. For leasehold improvements it is $50,000.

4.17. UNDP elected to apply the cost model to measurement after recognition instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to UNDP and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the statement of financial performance in the year in which they are incurred.

4.18. Project assets that are not controlled by UNDP are expensed as incurred. UNDP is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if it can exclude or regulate the access of third parties to that asset. UNDP has control over assets when it is implementing the project directly.

4.19. Property, plant and equipment includes right-to-use arrangements for property that meets the criteria for recognition (refer to the section on "leases" below).

4.20. Depreciation of property, plant and equipment is calculated using the straight-line basis over the estimated useful lives, except for land, which is not subject to depreciation. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, that is, major components of property, plant and equipment. Assets under construction are not depreciated, as they are not yet available for use.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Buildings	10-40
Vehicles	12
Communications and information technology equipment	8-20
Furniture and fixtures	15
Heavy machinery and other equipment	20
Leasehold improvements	Shorter of lease term or life of applicable asset

4.21. Given the expected pattern of usage of property, plant and equipment, there are no residual values following full depreciation. A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. Those gains or losses are recognized in surplus or deficit in the statement of financial performance.

4.22. Where UNDP sublets premises acquired under a lease, it elects to record subsequent measurement at cost.

Intangible assets

4.23. Intangible assets are carried at historical cost, less accumulated amortization and accumulated impairment loss.

4.24. Acquired computer software licences are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by UNDP are capitalized as an intangible asset. Directly associated costs include the software development staff costs and the portion attributable to relevant overhead. Other development expenses that do not meet the capitalization criteria are recognized as an expense as incurred. Development costs previously recognized as an expense, for example, research costs, are not recognized as an asset in a subsequent year. The threshold for recognition of internally developed software is $50,000 and for externally acquired software it is $5,000. Research costs are expensed as incurred.

4.25. Amortization is recognized in surplus or deficit in the statement of financial performance provided on a straight-line basis on all intangible assets of finite life and at rates that will write off the cost or value of the assets to their estimated residual values.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Software acquired	3-6
Internally developed software	3-6
Trademarks	2-6
Copyrights	3-10
Patents	2-6
Licences and other	2-6

4.26. If there is a binding arrangement that specifies that the contractual period of an asset is shorter than its estimated useful life, then the asset is amortized over the contractual period.

Impairment of non-cash generating assets

4.27. Property, plant and equipment, intangible and other non-cash generating assets are reviewed for impairment at each reporting date. For property, plant and equipment, UNDP reviews for impairment during the semi-annual physical verification process. An impairment loss is recognized in surplus or deficit in the statement of financial performance when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value, less costs to sell, and its value in use.

4.28. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment of value has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying

amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment deficit had been recognized.

Financial liabilities classification

IPSAS classification	*Types of financial liabilities*
Other financial liabilities	Accounts payable and accrued liabilities, funds held on behalf of donors, advances payable, other liabilities and payables — funds held in trust
Fair value through surplus or deficit	Derivative liabilities

4.29. Other financial liabilities are initially recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with a duration of less than 12 months are recognized at their carrying value.

4.30. Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods/services are delivered/rendered and accepted by UNDP. Liabilities are stated at invoice amounts, less payment discounts at the reporting date. Liabilities are estimated where invoices are not available at the reporting date.

4.31. Advances payable arise when amounts are owed to executing entities/ implementing partners. The liability is measured at the amount owed based on incurred expenses reflected in the approved financial reports, Funding Authorization and Certificate of Expenditure forms or project delivery reports for the year.

4.32. Payables, that is, funds held in trust, represent the receipt of funds by UNDP when providing fund administration services, to be disbursed to participating organizations. When UNDP is appointed as an administrative agent, it provides fund administration services to United Nations system and national government multi donor trust funds and joint programmes through the Multi-Partner Trust Funds Office. In this role, UNDP is responsible for the receipt of contributions from donors, the disbursement of such funds to participating organizations and the provision of consolidated reporting to donors and stakeholders. Under this arrangement, funds received by UNDP from donors are reflected as cash and cash-equivalent funds held in trust or investment funds held in trust along with a corresponding liability, that is as payables, funds held in trust until they are disbursed to participating organizations.

4.33. Other liabilities include unapplied deposits and other payables such as finance lease payable. Unapplied deposits represent contributions received from donors that have not been applied against contributions receivable for earmarked activities.

Fair value through surplus or deficit

4.34. Fair value through surplus and deficits financial liabilities are so designated on initial recognition or are held for trading. They are initially recorded at fair value and any transaction costs are expensed. The liabilities are measured at fair value at each reporting date and any resultant fair value gains or losses are recognized

through surplus and deficit. UNDP classifies derivatives as financial liabilities at fair value through surplus and deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with UNDP Investment Guidelines. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. At 31 December 2014, UNDP had no open foreign exchange derivative instruments positions in this category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNDP does not apply hedge accounting treatment for derivatives.

Funds received in advance and deferred revenue

4.35. Funds received in advance represent contributions received for future periods specified in donor contribution agreements. The funds are recognized as revenue and applied to the earmarked activities at the beginning of the specified future period. Deferred revenue represents funds received from donors that will be recognized as revenue in future years when conditions are met or the revenue is earned.

Employee benefits

Short-term employee benefits

4.36. Short-term employee benefits are those that are expected to be settled within 12 months after the end of the year in which employees render the related service. Those benefits include assignment benefits, regular monthly benefits (e.g., wages and salaries), compensated absences (e.g., paid leave, such as annual leave), other short-term and non-monetary benefits and the current portion of long-term benefits provided to current employees. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled at the reporting date and represents the amount paid or expected to be paid to settle the liability. Owing to the short-term nature of those entitlements, the liabilities are not discounted for the time value of money and are presented as current liabilities.

Post-employment benefits

4.37. Post-employment benefits are those payable after completion of employment, but exclude termination payments.

4.38. Post-employment benefits include pension plans, post-employment medical care, repatriation grants and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

4.39. For defined contribution post-employment plans, the obligation for each year is determined by the amounts to be contributed for that year, and no actuarial assumptions are required to measure the obligation or the expense. Post-employment

benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, reduced by the fair value of plan assets, if any, at the reporting date. UNDP does not hold any assets corresponding to the definition of a plan asset.

4.40. UNDP is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund is open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

4.41. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating organizations. UNDP and the Pension Fund, in line with the other participating, are not in a position to identify Programme's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNDP has treated this plan as if it were a defined contribution plan, in line with the requirements of IPSAS 25, Employee benefits. UNDP contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

4.42. The Regulations of the Pension Fund state that its Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Fund's Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed at its website (www.unjspf.org).

Defined benefit plans

4.43. The defined benefit plans of UNDP include after-service health insurance and certain end-of-service entitlements. The obligation of UNDP in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That obligation is discounted to determine its present value and stated at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognized past service costs. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

4.44. The discount rate is the yield at the reporting date on high-quality credit rated corporate bonds that have maturity dates approximating the terms of the payment obligations. Actuarial gains and losses arising from experience adjustments and

changes in actuarial assumptions are recognized directly in net assets/equity in the year in which they arise. All other changes in the liability for those obligations are recognized as surplus or deficit in the statement of financial performance in the year in which they arise.

Other long-term employee benefits

4.45. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Those benefits include the non-current portions of home leave and compensation for death and injury attributable to performance of duties. These are recognized as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material. Actuarial gains and losses are reported in the statement of changes in net assets/equity.

Termination benefits

4.46. Termination benefits are recognized as an expense only when UNDP is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

Leases

Operating lease

4.47. Leases are classified as operating leases where UNDP is the lessee, and the lessor retains a significant portion of the risks and rewards inherent to ownership. Payments under operating leases, net of incentives received from the lessor, are recognized on a straight line basis in the statement of financial performance over the lease term.

Finance lease

4.48. Leases of tangible assets, where UNDP has substantially all the risks and rewards of ownership, are classified as finance leases. Initial recognition of a finance lease results in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property, plant and equipment. Each finance lease payment is allocated between the lease liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense in the statement of financial performance over the term of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-to-use arrangements

4.49. Where UNDP has signed an agreement for the right-to-use assets with legal title/ownership of the assets, for example through donated use granted to UNDP at no cost, the transaction is a non-exchange transaction. In this case, an asset and revenue is recognized at the point the agreement is entered into. Recognition of an asset is contingent upon satisfying criteria for recognition of an asset. Valuation of the asset will be the fair value of the resource for which the right to use was acquired at the date of acquisition. The asset is depreciated over the shorter of the asset's useful life and the right-to-use term. Without legal title/ownership, an expense is recognized. Revenue is also recognized at the same amount as the asset/expense, except to the extent that a liability is also recognized.

Revenue recognition

Contributions

4.50. Voluntary contributions are non-exchange transactions which are recognized as revenue when contribution agreements become enforceable, or in some instances when cash is received in accordance with the UNDP Financial Regulations and Rules. Depending on the agreements, enforceability occurs upon signature alone, signature and receipt of deposit, when conditions, if any, in contributions agreements are met, or when funds are to be transferred to UNDP and intended to be utilized. Revenue is shown net of returns of unused funds to donors and impairment of receivables.

4.51. Governments make pledges for regular resources voluntary contributions, although in some cases the pledged funds are not paid to UNDP. As the probability of inflow is not certain, UNDP does not treat these amounts as contingent assets.

4.52. In-kind contributions of goods provided are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to UNDP and the fair value of those assets can be measured reliably. In-kind contributions recognize revenue from right-to-use arrangements at the fair value of the asset reported. UNDP does not recognize or disclose contributions of services in-kind as an asset and revenue as permitted by IPSAS.

Revenue from exchange transactions

4.53. Exchange transactions are those in which UNDP sells goods or provides services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is shown net of returns and discounts. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met. For example:

- Cost-recovery revenue from work performed, such as procurement and payment services by UNDP on behalf of United Nations entities, is recognized when services are performed;
- Revenue from sales of human development reports is recognized when the sale takes place;
- Revenue from commissions and fees for procurement, training, administrative, custodial and other services rendered to governments, United Nations entities and other partners is recognized when the service is performed/training takes place.

Expense recognition

4.54. Expenses are recognized when goods/services are delivered/rendered and accepted by UNDP or as specified below.

4.55. For direct implementation by UNDP and full country office support to national government implementation, expenses are recognized when goods, i.e., non-capital or services, have been received by UNDP.

4.56. For national implementation or NGO implementation, expenses are recognized when funds are disbursed by executing entities/implementing partners and reported to UNDP.

4.57. Advances transferred to executing entities/implementing partners are recognized as expenses when goods are delivered or services rendered by the executing entities/implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, that is, financial reports, Funding Authorization and Certificate of Expenditure forms or project delivery reports. Once these expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the audited statements of executing entities/implementing partners or, when such statements are not available at the reporting year end, from the entities' statements as submitted for audit/unaudited statements.

Commitments, provisions and contingencies

Commitments

4.58. Commitments are future expenses and liabilities to be incurred on contracts entered into at the reporting date for which UNDP has minimal discretion, if any, to avoid in the ordinary course of operations. Commitments relating to employment contracts are excluded. Commitments include:

- Capital commitments: aggregate amount of capital expenses contracted for but not recognized as paid or provided for at year end;
- Contracts for the supply of goods or services which UNDP expects to be delivered in the ordinary course of operations;
- Non-cancellable minimum lease payments;
- Other non-cancellable commitments.

Provisions

4.59. A provision is recognized if, as a result of a past event, UNDP has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenses expected to be required to settle the obligation. The increase in a provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent assets

4.60. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and that its value can be measured reliably, the asset and the related revenue are recognized in the year in which the change occurs.

Contingent liabilities

4.61. A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the year in which the change of probability occurs.

Note 5
Change in accounting policy, prior-period adjustments and reclassifications

5.1. On 1 January 2014, UNDP changed its accounting policy in relation to its asset capitalization threshold, increasing it from $500 to $1,500. The purpose of this change was to bring the Programme's policy into line with that of peer United Nations organizations and other organizations of similar size, and to benefit from the resulting efficiencies. The change in accounting policy has been applied retrospectively and 2013 comparative information has been restated accordingly, resulting in a reduction in property, plant and equipment of $10.89 million, an increase in supplies and consumables used expense of $3.04 million and a reduction in depreciation and amortization expense of $1.08 million. The following table details the changes in comparative information in regard to the change in the capitalization threshold.

(Thousands of United States dollars)

	31 December 2013 (audited)	*Prior-period adjustments*	*31 December 2013 (after prior-period adjustments)*	*Increase (decrease) due to change in accounting policy*	*31 December 2013 (restated)*
Statement of financial position extract					
Cash and cash equivalents	1 077 935	(2 000)	1 075 935	–	1 075 935
Receivables — non-exchange transactions	131 915	7 254	139 169	–	139 169
Receivables — exchange transactions, net	92 172	903	93 075	–	93 075
Advances issued, net	324 712	(482)	324 230	–	324 230
Inventories	16 356	1 413	17 769	–	17 769
Property, plant and equipment	114 565	(3 337)	111 228	(10 892)	100 336
Intangibles	6 970	437	7 407	–	7 407
Total assets	**6 728 198**	**4 188**	**6 732 386**	**(10 892)**	**6 721 494**
Accounts payable and accrued liabilities	126 863	(166)	126 697	–	126 697
Total liabilities	**1 991 786**	**(166)**	**1 991 620**	**–**	**1 991 620**

	31 December 2013 (audited)	*Prior-period adjustments*	*31 December 2013 (after prior-period adjustments)*	*Increase (decrease) due to change in accounting policy*	*31 December 2013 (restated)*
Accumulated surpluses	4 375 774	4 354	4 380 128	(10 892)	4 369 236
Total net assets/equity	**4 736 412**	**4 354**	**4 740 766**	**(10 892)**	**4 729 874**
Total liabilities and net assets/equity	**6 728 198**	**4 188**	**6 732 386**	**(10 892)**	**6 721 494**
Statement of financial performance extract					
Voluntary contributions, net	4 829 911	7 234	4 837 145	–	4 837 145
Total revenue	**5 145 957**	**7 234**	**5 153 191**	**–**	**5 153 191**
Contractual services	2 157 186	(16)	2 157 170	–	2 157 170
Supplies and consumables used	747 622	1 719	749 341	3 039	752 380
General operating expenses	870 578	(1 067)	869 511	–	869 511
Other expenses	115 447	(40)	115 407	–	115 407
Depreciation and amortization	9 647	(572)	9 075	(1 080)	7 995
Total expenses	**5 244 451**	**24**	**5 244 475**	**1 959**	**5 246 434**
Surplus/(deficit) for the year	**(98 494)**	**7 210**	**(91 284)**	**(1 959)**	**(93 243)**

Prior-period adjustments

5.2. Net prior-period adjustments recorded in 2014 total $4.354 million. For the following prior-period adjustments, where there is impact relating to 2013, the 2013 comparative figures at the individual line item were retrospectively restated. Where there is impact for periods prior to 2013, net assets/equity was restated:

(a) The amount of $7.254 million is an adjustment for the delayed submission of contribution agreements. The effect of this adjustment is as follows: an increase in contributions revenue of $7.234 million in the statement of financial performance; an increase in non-exchange receivables of $7.254 million in the statement of financial position; and an increase in accumulated surpluses of $0.020 million in the statement of changes in net assets/equity;

(b) The amount of $(2.0) million is an adjustment resulting from the reconciliation of submodules to the general ledger. The effect of this adjustment is as follows: a decrease in current assets of $2.0 million in the statement of financial position; and a decrease in accumulated surpluses of $2.0 million in the statement of changes in net assets/equity;

(c) The amount of $2.482 million represents adjustments related to prior-year expenses that were overstated or understated. The effect of these adjustments is as follows: a decrease in expenses of $1.579 million in the statement of financial performance; an increase in exchange receivables of $0.903 million in the statement of financial position; an increase in inventories of $1.413 million in the statement of financial position; a decrease in accounts payable and accrued liabilities of

$0.166 million in the statement of financial position; and an increase in accumulated surpluses of $0.903 million in the statement of changes in net assets/equity;

(d) The amount of $(0.482) million is an adjustment for expenses for goods received in a prior year from a partner United Nations agency that was not recorded. The effect of this adjustment is as follows: a decrease in advances issued of $0.482 million in the statement of financial position; and a decrease in accumulated surpluses of $0.482 million in the statement of changes in net assets/equity;

(e) The amount of $(2.9) million represents adjustments to ensure appropriate and accurate capitalization of property, plant and equipment and intangibles. The effect of these adjustments is as follows: an increase in expenses of $3.247 million in the statement of financial performance; a decrease in depreciation and amortization expense of $0.572 million in the statement of financial performance; a decrease in accumulated surpluses of $0.225 million in the statement of changes in net assets/equity; and a decrease in property plant and equipment and intangibles of $2.9 million in the statement of financial position.

Reclassification of comparatives

5.3. To improve presentation and/or to account for new operating developments, the following reclassification, presentation adjustments were made:

(a) $5.104 million was reclassified in the comparatives from general operating expenses, under the line item travel, to general operating expenses, under the line item freight, in the statement of financial performance to better reflect the nature of the expenses;

(b) $1.072 million of expenses in the comparatives was not eliminated in 2013 and in is now being reclassified from expenses in the comparatives, under the line items general operating expenses and other expenses, to accumulated surpluses, in the statement of financial performance and the statement of financial position.

Note 6
Segment reporting

6.1. For purposes of evaluating its past performance in achieving its objectives and for making decisions about the future allocation of resources, UNDP classifies all its activities into four segments: regular resources; cost-sharing; trust funds; and reimbursable support services and miscellaneous activities.

Regular resources

6.2. Regular resources are all resources of UNDP that are commingled and untied/unearmarked. These include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous revenue.

Other resources

Cost-sharing

6.3. Cost-sharing is a cofinancing funding modality under which contributions can be received for specific UNDP programme activities, in line with UNDP policies, aims and activities. This modality is used for the direct funding of a specific project,

group of projects or part of a country programme. Use of donor contributions is normally limited to the duration of a particular project. Cost-sharing has a decentralized signatory authority, and agreements are signed at the country office level.

Trust funds

6.4. Trust funds are a cofinancing funding modality established as a separate accounting entity under which UNDP receives contributions to finance UNDP programme activities specified by the contributor. Separate accounting records are kept for and financial reporting is at the level of each individual trust fund. Trust funds are required to be reported separately to the UNDP Executive Board. Trust funds have a centralized signatory authority and agreements must be authorized by the Associate Administrator at the headquarters level. There are terms of reference governing each trust fund and each is assigned a trust fund manager.

Reimbursable support services and miscellaneous activities

6.5. Reimbursable support services and miscellaneous activities are the resources of UNDP, other than regular resources, cost-sharing and trust funds. Such funds are received for the provision of management and other support services to third parties. Reimbursable support services and miscellaneous activities comprise the following activities: management service agreements; the Junior Professional Officers programme; reimbursable support services; the United Nations Volunteers programme; the reserve for field accommodation; programme support to Resident Coordinators; the disaster mitigation programme; and extrabudgetary support for special purposes.

6.6. In order to attribute assets to the appropriate segment, UNDP has allocated cash and investments based on the inter-fund balances among the four segments.

Segment reporting: statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total UNDP*	
	31 December 2014	*31 December 2013 (restated)*	*31 December 2014*	*31 December 2013 (restated)*	*31 December 2014*	*31 December 2013 (restated)*	*31 December 2014*	*31 December 2013 (restated)*	*31 December 2014*	*31 December 2013 (restated)*
Assets										
Current assets										
Cash and cash equivalents	90 835	232 384	191 054	481 443	63 487	165 188	81 399	196 920	**426 775**	**1 075 935**
Cash and cash equivalents: funds held in trust	127 592	229 750	–	–	–	–	–	–	**127 592**	**229 750**
Investments	454 071	481 853	953 608	1 114 058	316 433	383 920	405 200	453 058	**2 129 312**	**2 432 889**
Investments: funds held in trust	239 302	240 331	–	–	–	–	–	–	**239 302**	**240 331**
Receivables: non-exchange transactions	–	–	141 486	113 865	4 908	17 628	3 516	7 676	**149 910**	**139 169**
Receivables: exchange transactions, net	47 554	80 790	1 212	717	341	869	7 036	10 699	**56 143**	**93 075**
Advances issued, net	28 707	26 433	193 454	272 965	18 018	23 998	3 638	834	**243 817**	**324 230**
Loans to governments	–	–	–	–	–	–	892	772	**892**	**772**
Inventories	1 411	1 731	15 197	14 038	86	682	1 488	1 318	**18 182**	**17 769**
Other current assets, net	628	810	326	368	43	86	–	6	**997**	**1 270**
Total current assets	**990 100**	**1 294 082**	**1 496 337**	**1 997 454**	**403 316**	**592 371**	**503 169**	**671 283**	**3 392 922**	**4 555 190**
Non-current assets										
Investments	635 656	378 605	1 239 690	936 821	417 415	325 636	526 760	380 980	**2 819 521**	**2 022 042**
Investments: funds held in trust	159 260	26 480	–	–	–	–	–	–	**159 260**	**26 480**
Loans to governments	–	–	–	–	–	–	7 215	10 039	**7 215**	**10 039**
Property, plant and equipment	41 593	38 376	12 546	9 571	3 395	2 993	58 439	49 396	**115 973**	**100 336**
Intangible assets	4 193	3 468	67	39	122	257	3 264	3 643	**7 646**	**7 407**
Total non-current assets	**840 702**	**446 929**	**1 252 303**	**946 431**	**420 932**	**328 886**	**595 678**	**444 058**	**3 109 615**	**2 166 304**
Total assets	**1 830 802**	**1 741 011**	**2 748 640**	**2 943 885**	**824 248**	**921 257**	**1 098 847**	**1 115 341**	**6 502 537**	**6 721 494**

Segment reporting: statement of financial position as at 31 December 2014 (continued)

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total UNDP*	
	31 December 2014	*31 December 2013 (restated)*	*31 December 2014*	*31 December 2013 (restated)*	*31 December 2014*	*31 December 2013 (restated)*	*31 December 2014*	*31 December 2013 (restated)*	*31 December 2014*	*31 December 2013 (restated)*
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	75 541	39 007	27 901	43 946	8 735	5 413	49 431	38 331	**161 608**	**126 697**
Advances payable	439	1 174	3 223	6 481	5 933	8 419	460	593	**10 055**	**16 667**
Funds received in advance and deferred revenue	–	99	59 868	137 124	112	60	8 267	9 788	**68 247**	**147 071**
Funds held on behalf of donors	31 208	6 254	1 077	366	10 821	12 715	3 519	20	**46 625**	**19 355**
Payables: funds held in trust	434 087	526 325	–	–	–	–	–	–	**434 087**	**526 325**
Employee benefits	181 838	169 351	24	13	6	–	17 960	16 285	**199 828**	**185 649**
Other current liabilities	6 946	7 720	139	20	40	110	2 889	660	**10 014**	**8 510**
Provision for restructuring	–	–	–	–	–	–	5 592	–	**5 592**	**–**
Total current liabilities	**730 059**	**749 930**	**92 232**	**187 950**	**25 647**	**26 717**	**88 118**	**65 677**	**936 056**	**1 030 274**
Non-current liabilities										
Payables: funds held in trust	159 260	26 480	–	–	–	–	–	–	**159 260**	**26 480**
Funds received in advance and deferred revenue	–	–	–	–	–	–	8 687	6 827	**8 687**	**6 827**
Employee benefits	763 328	601 912	–	–	–	–	449 950	326 125	**1 213 278**	**928 037**
Other non-current liabilities	–	2	–	–	–	–	19	–	**19**	**2**
Total non-current liabilities	**922 588**	**628 394**	**–**	**–**	**–**	**–**	**458 656**	**332 952**	**1 381 244**	**961 346**
Total liabilities	**1 652 647**	**1 378 324**	**92 232**	**187 950**	**25 647**	**26 717**	**546 774**	**398 629**	**2 317 300**	**1 991 620**
Net assets/equity										
Reserves	207 670	212 669	–	–	3 000	3 000	141 968	144 969	**352 638**	**360 638**
Accumulated surpluses/(deficits)	(29 515)	150 018	2 656 408	2 755 935	795 601	891 540	410 105	571 743	**3 832 599**	**4 369 236**
Total net assets/equity	**178 155**	**362 687**	**2 656 408**	**2 755 935**	**798 601**	**894 540**	**552 073**	**716 712**	**4 185 237**	**4 729 874**
Total liabilities and net assets/equity	**1 830 802**	**1 741 011**	**2 748 640**	**2 943 885**	**824 248**	**921 257**	**1 098 847**	**1 115 341**	**6 502 537**	**6 721 494**

Segment reporting: statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Regular resources		*Cost sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Elimination*[b]		*Total UNDP*	
	2014	*2013 (restated)*	*2014*	*2013 (restated)*	*2014*	*2013 (restated)*	*2014*	*2013 (restated)*	*2014*	*2013 (restated)*	*2014*	*2013 (restated)*
Revenue												
Voluntary contributions, net[a]	834 990	932 901	2 807 963	2 997 759	856 662	743 265	144 830	163 220	–	–	**4 644 445**	**4 837 145**
Revenue from exchange transactions	307	336	412	111	4	1	195 098	194 300	–	–	**195 821**	**194 748**
Investment revenue	10 023	12 739	17 285	25 117	6 116	8 922	5 163	7 791	–	–	**38 587**	**54 569**
Other revenue	33 052	23 946	3 239	5 853	1 351	2 777	307 029	247 101	(222 609)	(212 948)	**122 062**	**66 729**
Total revenue	**878 372**	**969 922**	**2 828 899**	**3 028 840**	**864 133**	**754 965**	**652 120**	**612 412**	**(222 609)**	**(212 948)**	**5 000 915**	**5 153 191**
Expenses												
Contractual services	203 114	212 196	1 208 953	1 257 981	595 278	602 674	106 534	84 319	–	–	**2 113 879**	**2 157 170**
Staff costs	392 429	426 903	142 490	125 099	76 615	79 630	375 281	353 488	–	–	**986 815**	**985 120**
Supplies and consumables	51 644	55 672	684 067	571 660	44 835	44 766	61 683	80 282	–	–	**842 229**	**752 380**
General operating expenses	221 821	224 996	614 109	591 830	152 845	147 494	153 672	118 139	(222 609)	(212 948)	**919 838**	**869 511**
Grants and other transfers	23 901	20 969	220 423	236 009	79 872	92 980	6 676	2 333	–	–	**330 872**	**352 291**
Other expenses	38 997	51 197	47 732	46 825	10 048	7 923	4 523	9 462	–	–	**101 300**	**115 407**
Depreciation and amortization	3 992	3 589	1 216	771	392	301	5 099	3 334	–	–	**10 699**	**7 995**
Finance costs	3 718	3 472	3 716	2 389	187	194	1 047	505	–	–	**8 668**	**6 560**
Total expenses	**939 616**	**998 994**	**2 922 706**	**2 832 564**	**960 072**	**975 962**	**714 515**	**651 862**	**(222 609)**	**(212 948)**	**5 314 300**	**5 246 434**
Surplus/(deficit)[c] for the year	**(61 244)**	**(29 072)**	**(93 807)**	**196 276**	**(95 939)**	**(220 997)**	**(62 395)**	**(39 450)**	–	–	**(313 385)**	**(93 243)**

[a] Voluntary contributions are net of returns to donors of unused contributions.
[b] This adjustment is required to remove the effect of internal UNDP cost recovery.
[c] Deficit for the year draws down on the unspent accumulated surplus resource balances.

Note 7
Comparison to budget

7.1. The budget and the accounting basis are different. Statement V, statement of comparison of budget and actual amounts (regular resources), is prepared on the budget basis, that is, a modified cash basis, and statement II, statement of financial performance, is prepared on an accounting basis, that is, an accrual basis.

7.2. The presentation of activities and associated budget expenditures in statement V reflects the cost classification categories approved by the Executive Board of UNDP, that is: (a) development activities: (i) programme; and (ii) development effectiveness; (b) United Nations development coordination activities; (c) management activities: (i) recurring; and (ii) non-recurring; and (d) special purpose activities: (i) capital investments; and (ii) non-UNDP operations administered by UNDP. It is noted that statement II reflects expenses by nature. Also included is a line from a budget for additional resources for security measures, in line with Executive Board decision 2013/28.

7.3. For these reasons, the total actual regular resources budget expenditure differs from total financial accounting expenses.

7.4. Approved budgets are those that permit budget expenditures to be incurred and are approved by the UNDP Executive Board. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. As other resources of UNDP are a forward estimate and projection based on assumptions about future events and are not formally approved by the Executive Board, the other resources are not presented in statement V. The UNDP Executive Board has approved a four-year integrated budget covering 2014-2017, with estimates provided for the 2014-2015 and 2016-2017 periods. While the Programme's approved budgets are for a four-year period, UNDP allocates those budgets into annual amounts, whose total comprises the four-year approved budget, in order to provide the budget-to-actual comparison of the annual financial statements. In addition to the annual statement V (statement V (a), comparison of budget and actual amounts (regular resources)), at the end of the second year of the two-year period, UNDP will also present a biennial statement V (statement V (b), comparison of budget and actual amounts (regular resources)).

7.5. Statement V shows the comparison between the final approved budget with actual amounts calculated on the same basis as the corresponding budget. Explanations of material differences between the original approved budget and the final approved budget, and the final approved budget and the actual amounts are presented below.

7.6. Material differences between the original approved budget and the final approved budget are nil, as the original approved budget equates to the final approved budget. Budget utilization levels in 2014 were driven by a combination of the following factors: (a) approved budget levels; (b) overall cash flow and liquidity requirements; and (c) requirements and implementation of the UNDP strategic plan 2014-2017.

Accordingly, actual amounts/utilization in 2014 against budget levels is as follows:

- Development activities, actual utilization of $547.62 million, representing 89.6 per cent of the annualized approved budget of $611.4 million;
- United Nations development coordination activities, actual utilization of $89.0 million, representing 98.0 per cent of the annualized approved budget of $90.8 million;
- Management activities, actual utilization of $179.18 million, representing 95.8 per cent of the annualized approved budget of $187.0 million;
- Special purpose activities, actual utilization of $16.2 million, representing 82.6 per cent of the annualized approved budget of $19.5 million;
- Additional resources for security measures, actual utilization of $2.68 million, representing 76.4 per cent of the annualized approved budget of $3.5 million.

7.7. During 2014, UNDP revised the annual spending limits, noting the reduced level of voluntary contributions. This resulted in lower overall budget expenditure compared to the annualized budget for 2014. In particular, as a transitional measure in 2014, UNDP contained expenditure on development effectiveness activities by withholding release of a $17 million annual amount approved for this purpose by the Executive Board within the 2014-2017 integrated budget.

7.8. Actual net cash flows from operating activities, investing activities, and financing activities in statement V as presented on a comparable basis reconcile to the amounts presented in statement IV, cash flow statement, as follows:

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Total actual budget expenditure on comparable basis as presented in statement V	**(827 882)**	**(6 671)**	**–**	**(834 553)**
Basis differences	9 377	654	–	**10 031**
Entity differences	694 817	(613 045)	(4)	**81 768**
Net increase/(decrease) in cash and cash equivalents from statement IV	**(123 688)**	**(619 062)**	**(4)**	**(742 754)**

7.9. Basis differences include differences between the budget basis (modified cash) and accounting basis (accrual), which result primarily from purchase orders that have been issued but not delivered. Those are included in the budget basis but not in the accounting basis as delivery of goods and the rendering of services has not yet occurred for those undelivered purchase orders.

7.10. Entity differences between statement V and statement IV include other resources, that is, amounts for cost-sharing, trust funds and reimbursable support services and miscellaneous activities, which are incorporated in statement IV but not in statement V.

7.11. Timing differences do not exist, as the budget period annualized is the same as the financial statement reporting year.

Note 8
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2014	*31 December 2013 (restated)*
UNDP		
Cash held in bank accounts	309 613	303 762
Petty cash and project cash	375	437
Money market funds	132 732	235 192
Time deposits	–	100 000
Money market instruments	–	344 955
Overnight investments	–	51 784
Bonds	10 020	65 477
Impairment	(25 965)	(25 672)
Total cash and cash equivalents, net	**426 775**	**1 075 935**
Held in trust for multi-donor trust funds		
Cash held in bank accounts	6 569	1 278
Money market funds	71 023	57 655
Time deposits	50 000	32 500
Money market instruments	–	109 991
Subtotal	**127 592**	**201 424**
Held in trust for the UNDP-Spain Millennium Development Goals Achievement Fund		
Cash held in bank accounts	–	8
Money market funds	–	318
Time deposits	–	28 000
Subtotal	**–**	**28 326**
Total cash and cash equivalents: funds held in trust	**127 592**	**229 750**
Total cash and cash equivalents and funds held in trust	**554 367**	**1 305 685**

8.1. Cash held in bank accounts includes cash held by UNDP at headquarters and country offices in various currencies. National currencies that have restricted utility for UNDP programme costs are regularly reviewed for impairment.

8.2. The increase in impairment of $0.293 million comprises $0.370 million recognized in the statement of financial performance (refer to note 30, "Expenses") for impairment relating to the valuation of certain non-convertible currency held by UNDP and $(0.077) million as clearance of impairment for unrecoverable project petty cash advances, which was already recognized under surplus and deficit in a prior year.

8.3. In 2014, UNDP and the Government of Spain agreed to transfer the remaining cash and cash equivalents of $28.326 million in the Spain-UNDP Millennium Development Goals Achievement Fund from UNDP to the Multi-Partner Trust Fund Office.

8.4. The exposure of UNDP to credit, market and currency risks and its risk management activities related to its financial assets is disclosed in note 31.

Note 9
Investments

9.1
Total investments, portfolio held to maturity and available-for-sale financial assets

(Thousands of United States dollars)

	1 January 2014	*Purchases*	*Maturities*	*Amortization*	*Realized gains (losses)*	*Fair value increase (decrease)*	*Reclassification non-current to current*	*31 December 2014*
Investments								
Current investments								
Money market instruments	756 535	1 595 468	(1 814 150)	1 282	–	22	–	**539 157**
Bonds	1 675 702	411 862	(1 777 640)	(16 710)	–	–	1 296 650	**1 589 864**
Bonds: fair value adjustments	652	–	–	–	–	(652)	291	**291**
Total current investments	**2 432 889**	**2 007 330**	**(3 591 790)**	**(15 428)**	**–**	**(630)**	**1 296 941**	**2 129 312**
Non-current investments								
Money market instruments	–	–	–	–	–	–	–	**–**
Bonds	2 022 484	2 239 867	(117 500)	(28 321)	–	–	(1 296 650)	**2 819 880**
Bonds: fair value adjustments	(442)	–	–	–	–	374	(291)	**(359)**
Total non-current investments	**2 022 042**	**2 239 867**	**(117 500)**	**(28 321)**	**–**	**374**	**(1 296 941)**	**2 819 521**
Total investments held to maturity and available for sale	**4 454 931**	**4 247 197**	**(3 709 290)**	**(43 749)**	**–**	**(256)**	**–**	**4 948 833**

As at 31 December 2014, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.1 (a)
Held to maturity financial assets

(Thousands of United States dollars)

	1 January 2014	*Purchases*	*Maturities*	*Amortization*	*Realized gains (losses)*	*Reclassification non-current to current*	*31 December 2014*
Investments held to maturity							
Current investments							
Money market instruments	726 552	1 341 379	(1 569 150)	1 183	–	–	**499 964**
Bonds	1 560 510	411 862	(1 662 640)	(16 518)	–	1 229 484	**1 522 698**
Total current investments	**2 287 062**	**1 753 241**	**(3 231 790)**	**(15 335)**	**–**	**1 229 484**	**2 022 662**
Non-current investments							
Money market instruments	–	–	–	–	–	–	–
Bonds	1 798 517	2 046 454	(117 500)	(27 079)	–	(1 229 484)	**2 470 908**
Total non-current investments	**1 798 517**	**2 046 454**	**(117 500)**	**(27 079)**	**–**	**(1 229 484)**	**2 470 908**
Total investments held to maturity	**4 085 579**	**3 799 695**	**(3 349 290)**	**(42 414)**	**–**	**–**	**4 493 570**

As at 31 December 2014, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.1 (b)
Available-for-sale financial assets
(Thousands of United States dollars)

	1 January 2014	*Purchases*	*Maturities*	*Amortization*	*Fair value increase (decrease)*	*Reclassification non-current to current*	*31 December 2014*
Investments available for sale							
Current investments							
Money market instruments	29 983	254 089	(245 000)	99	22	–	**39 193**
Bonds	115 192	–	(115 000)	(192)	–	67 166	**67 166**
Bonds: fair value adjustments	652	–	–	–	(652)	291	**291**
Total current investments	**145 827**	**254 089**	**(360 000)**	**(93)**	**(630)**	**67 457**	**106 650**
Non-current investments							
Bonds	223 967	193 413	–	(1 242)	–	(67 166)	**348 972**
Bonds: fair value adjustments	(442)	–	–	–	374	(291)	**(359)**
Total non-current investments	**223 525**	**193 413**	**–**	**(1 242)**	**374**	**(67 457)**	**348 613**
Total investments available for sale	**369 352**	**447 502**	**(360 000)**	**(1 335)**	**(256)**	**–**	**455 263**

The available-for-sale portfolio represents investments for after-service health insurance. In addition to the above investments, $44.6 million (2013: 127.31 million) in after-service health insurance investments have been classified under cash and cash equivalents.

Total after-service health insurance investments, including cash and cash equivalents, amounted to $499.9 million (2013: 496.7 million).

As at 31 December 2014, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.2
Funds held in trust total investments portfolio

(Thousands of United States dollars)

	1 January 2014	*Purchases*	*Maturities*	*Amortization*	*Reclassification: non-current to current*	*31 December 2014*
Investments of funds held in trust						
Current investments						
Money market instruments	49 985	239 967	(195 000)	48	–	**95 000**
Bonds	190 346	87 590	(213 979)	(3 020)	83 365	**144 302**
Total current investments	**240 331**	**327 557**	**(408 979)**	**(2 972)**	**83 365**	**239 302**
Non-current investments						
Bonds	26 480	217 381	–	(1 236)	(83 365)	**159 260**
Total non-current investments	**26 480**	**217 381**	**–**	**(1 236)**	**(83 365)**	**159 260**
Total investments of funds held in trust	**266 811**	**544 938**	**(408 979)**	**(4 208)**	**–**	**398 562**

As at 31 December 2014, UNDP did not have any impairment on investments of funds held in trust.

Note 10
Receivables: non-exchange transactions

(Thousands of United States dollars)

	31 December 2014	*31 December 2013 (restated)*
Contributions receivable	149 910	139 169
Total receivables: non-exchange transactions	**149 910**	**139 169**

Ageing of receivables: non-exchange transactions

(Thousands of United States dollars)

	31 December 2014	*31 December 2013 (restated)*
Less than 6 months	140 445	119 866
Over 6 months	9 465	19 303
Total receivables: non-exchange transactions	**149 910**	**139 169**

The exposure to UNDP from credit and currency risks related to receivables is disclosed in note 31.

As at 31 December 2014, UNDP did not have any impairment on Receivables: non-exchange transactions.

10.1. UNDP evaluates for impairment of doubtful accounts at each reporting date. Impairment results when there is objective evidence that UNDP will not collect the full amount due.

Note 11
Receivables: exchange transactions

(Thousands of United States dollars)

	31 December 2014	*31 December 2013 (restated)*
Receivables from United Nations entities	2 597	53 402
Investment receivables	32 242	28 114
Receivables from third parties	20 743	10 956
Receivables from staff	1 050	1 028
Total receivables: exchange transactions, gross	**56 632**	**93 500**
Impairment[a]	(489)	(425)
Total receivables: exchange transactions, net	**56 143**	**93 075**

Ageing of receivables: exchange transactions

(Thousands of United States dollars)

	31 December 2014	*31 December 2013 (restated)*
Less than 6 months	52 098	89 823
Over 6 months	4 534	3 677
Total receivables: exchange transactions, gross	**56 632**	**93 500**

Receivables: exchange transactions from United Nations entities

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
United Nations Office for Project Services	–	3 851
United Nations Population Fund	–	23 395
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	–	17 101
United Nations Capital Development Fund	–	–
Receivables from other entities for common services and reserve for field accommodation	2 085	8 586
United Nations University	512	469
Total receivables — exchange transactions from United Nations entities	**2 597**	**53 402**

The exposure to UNDP from credit and currency risks related to receivables is disclosed in note 31.

[a] The increase in impairment of $0.064 million represents impairment for receivables from staff reclassified from impairment for advances to staff (refer to note 12, "Advances issued") which was already recognized under surplus and deficit in a prior year. In addition, UNDP recognized $0.035 million in the statement of financial performance (refer to note 30, "Expenses") as impairment directly against receivables from third parties.

Note 12
Advances issued

(Thousands of United States dollars)

	31 December 2014	*31 December 2013 (restated)*
Operating funds issued to governments and non-governmental organizations not yet implemented	115 509	113 930
Operating funds issued to United Nations entities not yet implemented	33 204	36 505
Advances issued: non-exchange transactions	**148 713**	**150 435**

	31 December 2014	31 December 2013 (restated)
Prepayments	76 268	158 328
Advances to staff	20 297	16 994
Advances issued: exchange transactions	**96 565**	**175 322**
Total advances issued, gross	**245 278**	**325 757**
Impairment[a]	(1 461)	(1 527)
Total advances issued, net	**243 817**	**324 230**

Ageing of advances: non-exchange and exchange transactions

(Thousands of United States dollars)

	31 December 2014	31 December 2013 (restated)
Less than 6 months	183 625	280 975
Over 6 months	61 653	44 782
Advances issued: non-exchange and exchange transactions, gross	**245 278**	**325 757**

[a] The decrease in impairment of $(0.066) million comprises $(0.064) million reclassified to impairment for receivables from staff (refer to note 11, "Receivables: exchange transactions") and $(0.002) million as reversal for impairment for advances to staff (refer to note 29, "Other revenue") recognized in the statement of financial performance.

Note 13
Inventories

(Thousands of United States dollars)

	31 December 2014	31 December 2013 (restated)
Medical supplies and equipment	14 004	12 450
Information technology supplies and consumables	144	793
Office supplies	1 641	1 567
Fuel	178	199
Publications	309	364
Human development reports	61	42
Electoral supplies and equipment	153	1
Crisis supplies and equipment	6	90
Other project-related inventories	1 686	2 263
Total inventories	**18 182**	**17 769**

Note 14
Other assets

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Current		
Dispensary, medical and other receivables	1 408	1 681
Impairment[a]	(411)	(411)
Total other current assets, net	**997**	**1 270**

[a] There is no change to the impairment allowance of $0.411 million which was already recognized in surplus and deficit in prior years.

Note 15
Loans to governments

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Current		
Loans to governments	892	772
Total current loans to governments	**892**	**772**
Non-current		
Loans to governments	7 215	10 039
Total non-current loans to governments	**7 215**	**10 039**
Total loans to governments	**8 107**	**10 811**

15.1. Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities.

15.2. As at 31 December 2014, loans to governments consist of loans issued to the Governments of Cabo Verde, the Comoros, Guinea-Bissau and Sao Tome and Principe.

Note 16
Property, plant and equipment

16.1. UNDP has two broad categories of property, plant and equipment, project assets and management assets. Project assets, which comprise 16 per cent of property, plant and equipment assets, are utilized in the delivery of UNDP programmes/projects. Management assets, which comprise 84 per cent of property, plant and equipment assets, are used for non-project specific operations at UNDP country offices and headquarters. As at 31 December 2014, UNDP has a gross carrying amount of $10.5 million of fully depreciated property, plant and equipment that is still in use. In the table below, the line item adjustments to cost includes prior-period adjustments of $3.930 million as well as in-year adjustments of $3.377 million. Adjustments to accumulated depreciation/depreciation include prior-period adjustments of ($0.593) million as well as in-year adjustments of

$(3.709) million. On 1 January 2014, UNDP changed its accounting policy in relation to its asset capitalization threshold, which affected 16.7 thousand individual assets (refer to note 5, "Change in accounting policy, prior-period adjustments and reclassifications"). Additionally, in accordance with its decision to follow the IPSAS transitional provision allowing for the capitalization of project assets acquired pre-2012 until 2015, UNDP will capitalize pre-2012 project assets effective 1 January 2015. This will result in the addition of 2.8 thousand individual assets with a carrying amount of $22.6 million to property, plant and equipment in 2015. These additions include motor vehicles with a carrying amount of $19.3 million, communications and technology equipment with a carrying amount of $2.2 million and buildings, furniture and fixtures and heavy machinery and other equipment with a carrying value of $1.1 million (refer to note 3, "Basis of reparation and authorization for issue").

Property, plant and equipment

(Thousands of United States dollars)

	Land	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Heavy machinery and other equipment*	*Leasehold improvements*	*Total*
Balance at 1 January 2014 (restated)								
Cost	6 625	30 574	7 251	46 182	42 970	10 868	10 148	**154 618**
Accumulated depreciation	–	(1 425)	(3 575)	(25 525)	(19 540)	(3 605)	(612)	**(54 282)**
Carrying amount at 1 January 2014 (restated)	**6 625**	**29 149**	**3 676**	**20 657**	**23 430**	**7 263**	**9 536**	**100 336**
Year ended 31 December 2014								
Additions	–	698	610	9 058	11 927	2 121	1 425	**25 839**
Disposals	–	–	(371)	(6 736)	(3 239)	(1 629)	(1 285)	**(13 260)**
Adjustments to cost	–	(4)	59	2 226	610	1 195	3 221	**7 307**
Depreciation	–	(787)	(359)	(3 110)	(3 025)	(515)	(755)	**(8 551)**
Adjustments to accumulated depreciation/depreciation	–	(1)	183	2 764	1 159	197	–	**4 302**
Carrying amount at 31 December 2014	**6 625**	**29 055**	**3 798**	**24 859**	**30 862**	**8 632**	**12 142**	**115 973**
Balance at 31 December 2014								
Cost	6 625	31 268	7 549	50 730	52 269	12 556	13 510	**174 507**
Accumulated depreciation	–	(2 213)	(3 751)	(25 871)	(21 407)	(3 924)	(1 368)	**(58 534)**
Carrying amount at 31 December 2014	**6 625**	**29 055**	**3 798**	**24 859**	**30 862**	**8 632**	**12 142**	**115 973**

As at 31 December 2014, UNDP did not have any material impairment under property, plant and equipment.

As at 31 December 2014, assets under construction of $5.644 million are included under leasehold improvements.

Note 17
Intangible assets

(Thousands of United States dollars)

	Software internally developed	*Software acquired*	*Trademarks, copyrights, and licences*	*Assets under development*	*Total*
Balance as at 1 January 2014 (restated)					
Cost	6 831	241	864	1 214	**9 150**
Accumulated amortization	(1 620)	(123)	–	–	**(1 743)**
Carrying amount as at 1 January 2014 (restated)	**5 211**	**118**	**864**	**1 214**	**7 407**
Additions	1 120	65	64	936	**2 185**
Disposals	–	(187)	–	(1 198)	**(1 385)**
Adjustments to cost	234	–	–	1 251	**1 485**
Amortization	(1 305)	(77)	(766)	–	**(2 148)**
Adjustments to accumulated amortization/depreciation	–	131	(29)	–	**102**
Carrying amount as at 31 December 2014	**5 260**	**50**	**133**	**2 203**	**7 646**
Balance as at 31 December 2014					
Cost	8 185	119	929	2 203	**11 436**
Accumulated amortization	(2 925)	(69)	(796)	–	**(3 790)**
Carrying amount as at 31 December 2014	**5 260**	**50**	**133**	**2 203**	**7 646**

As at 31 December 2014, UNDP did not have any impairment on intangible assets.

Note 18
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2014	*31 December 2013 (restated)*
Accruals	29 549	43 374
Payables to United Nations entities[a]	85 911	43 816
Payables to third parties	43 394	38 960
Derivative liabilities	274	–
Payables to staff	2 480	547
Total accounts payable and accrued liabilities	**161 608**	**126 697**

[a] Payable to United Nations entities.

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Payables to United Nations current account	23 834	9 706
World Health Organization	4 706	4 818

	31 December 2014	*31 December 2013*
United Nations Relief and Works Agency for Palestine Refugees in the Near East	3 223	2 411
Joint United Nations Programme on HIV/AIDS	2 375	2 680
United Nations Industrial Development Organization	330	2 130
United Nations Capital Development Fund	6 315	8 369
United Nations Entity for Gender Equality and the Empowerment of Women	1 417	–
United Nations Office for Project Services	19 469	–
United Nations Population Fund	1 857	–
Payables to other United Nations entities for common services	22 385	13 702
Total payables to United Nations entities	**85 911**	**43 816**

Note 19
Advances payable

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Operating funds payable to governments and non-governmental organizations	135	220
Operating funds payable to executing entities/ implementing partners	9 920	16 447
Total advances payable	**10 055**	**16 667**

Note 20
(a) Funds received in advance and deferred revenue

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Current		
Funds received in advance	60 334	141 368
Deferred revenue: United Nations Department of Safety and Security	2 043	1 997
Deferred revenue: Multi-Partner Trust Fund Office administrative agent fees	5 863	3 697
Deferred revenue: other	7	9
Total current funds received in advance and deferred revenue	**68 247**	**147 071**
Non-current		
Deferred revenue: Multi-Partner Trust Fund Office administrative agent fees	8 687	6 827
Total non-current funds received in advance and deferred revenue	**8 687**	**6 827**
Total funds received in advance and deferred revenue	**76 934**	**153 898**

(b) Funds held on behalf of donors

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Refunds to donors	46 625	19 355
Total funds held on behalf of donors	**46 625**	**19 355**

20.(b).1. Refunds pending to donors comprise unspent funds for completed or terminated projects and, where applicable, interest that has been set aside to be refunded to donors in accordance with contribution agreements and the UNDP Financial Regulations and Rules. The funds will be refunded or reprogrammed upon receipt of instructions from donors.

Note 21
Payables: funds held in trust

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Current		
Multi-donor trust funds	368 989	462 508
Clearing accounts with United Nations entities	65 098	63 816
Spain-UNDP Millennium Development Goals Achievement Fund	–	1
Total current payables: funds held in trust	**434 087**	**526 325**
Non-current		
Multi-donor trust funds	159 260	26 480
Total non-current payables: funds held in trust	**159 260**	**26 480**
Total payables: funds held in trust	**593 347**	**552 805**

21.1. Payables, funds held in trust, represent funds provided by donors to UNDP to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments. UNDP manages investments in separate portfolios on behalf of several organizations.

21.2. In 2014, UNDP and the Government of Spain agreed to transfer the remaining cash and cash equivalents of $28.326 million in the Spain-UNDP Millennium Development Goals Achievement Fund from UNDP to the Multi-Partner Trust Fund Office. See note 8 for details.

Note 22
Employee benefits

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Current		
Annual leave	76 570	74 077
Medical insurance plan	77 217	70 285
After-service health insurance	22 933	19 913
Repatriation entitlements	9 812	9 410
Home leave	7 264	6 552
Termination benefits	2 968	2 915
Contribution to the United Nations Joint Staff Pension Fund	1 275	769
Death benefits	255	236
Other employee benefits	1 534	1 492
Total current employee benefit liabilities	**199 828**	**185 649**
Non-current		
After-service health insurance	1 118 577	838 242
Repatriation entitlements	89 127	84 609
Home leave	2 974	2 974
Death benefits	2 600	2 212
Total non-current employee benefit liabilities	**1 213 278**	**928 037**
Total employee benefit liabilities	**1 413 106**	**1 113 686**

22.1. The liabilities arising from post-employment benefits are determined by independent actuaries and these employee benefits are established in accordance with the Staff Rules and Staff Regulations of the United Nations.

22.2. As at 31 December 2014, liabilities for after-service health insurance, repatriation entitlements and death benefits are determined by the actuarial valuation conducted as at 31 December 2014.

Defined benefit plans

22.3. UNDP provides its staff and former staff with the following defined benefit plans, which are actuarially valued: after-service health insurance; end-of-service entitlements, such as repatriation entitlement; and other benefits, such as death benefits.

22.4. The movements in the present value of the defined benefit obligation for those plans are:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Net defined benefit obligation as at 31 December 2013	858 155	94 019	2 448	954 622
Increase of the obligation				
Current service cost	32 374	8 536	264	41 174
Interest cost	41 290	3 781	95	45 166
Actuarial losses from change in assumptions and experience adjustments	230 618	7 037	296	237 951
Decrease of the obligation				
Actual benefits paid	(13 453)	(9 652)	(179)	(23 284)
Actuarial (gains) from change in assumptions and experience adjustments	–	(4 624)	(3)	(4 627)
Actuarial (gains) on disbursements	(7 474)	(158)	(66)	(7 698)
Net recognized liability as at 31 December 2014	**1 141 510**	**98 939**	**2 855**	**1 243 304**

22.5. The value of the defined benefit obligation equals the defined benefit liability that is recognized in the statement of financial position.

22.6. The current service cost and interest cost recognized in the statement of financial performance and the statement of financial position are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Current service cost	32 374	8 536	264	41 174
Interest cost	41 290	3 781	95	45 166
Total employee benefits expenses recognized	**73 664**	**12 317**	**359**	**86 340**

22.7. The actuarial gains/(losses) recognized in net assets/equity directly are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Actuarial gains/(losses) from change in assumptions	(230 618)	(2 413)	(293)	(233 324)
Actuarial gains/(losses) on disbursement	7 474	158	66	7 698
Total net actuarial gains/(losses) recognized	**(223 144)**	**(2 255)**	**(227)**	**(225 626)**

22.8. In 2014, of the net actuarial loss of $225.63 million, the actuarial loss relating to after-service health insurance from a change in actuarial assumptions was $230.62 million.

22.9. The following table provides the amounts for the current and previous two periods of the defined benefit obligation and the experience adjustment arising on the plan liabilities:

(Thousands of United States dollars)

	2014	*2013*	*2012*
After-service health insurance			
Defined benefits obligation	1 141 510	858 155	979 122
Experience adjustment on plan liabilities	32 804	(5 826)	(3 518)
Repatriation			
Defined benefits obligation	98 959	94 019	88 958
Experience adjustment on plan liabilities	(4 624)	2 445	1 594
Death benefits			
Defined benefits obligation	2 855	2 448	2 558
Experience adjustment on plan liabilities	120	(21)	–

22.10. UNDP has funded $499.9 million of the after-service health insurance liability and there is a 15-year strategy to fund the gap between the historical liability and the amount funded.

22.11. The next comprehensive actuarial valuation will be conducted as at 31 December 2015 or 31 December 2016, depending on the materiality of changes in underlying parameters.

Actuarial assumptions

22.12. The last actuarial valuation for after-service health insurance, repatriation and death benefits was completed as at 31 December 2014. The principal actuarial assumptions used to determine the defined benefit obligation are as follows:

	2014
Single equivalent discount rate:	
(a) After-service health insurance	3.91 per cent
(b) Repatriation benefits	3.44 per cent
(c) Death benefits	3.30 per cent
Expected rate of medical cost increase for after-service health insurance (varies by medical plan)	5-6.8 per cent
Salary scale (varying by age and staff category)	5.5-10.8 per cent
Rate of inflation	2.25 per cent
Per capita claim cost (varies by age)	$942-$13,569
Actuarial method	Projected unit credit method

22.13. Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

Rate of death — Active employees	*At age 20*	*At age 69*
Male	0.00065	0.00906
Female	0.00034	0.00645

Rate of death — Retired employees	*At age 20*	*At age 70*
Male	0.00072	0.01176
Female	0.00037	0.00860

22.14. The rates of retirement for Professionals with 30 or more years of service hired on or after 1 January 1990 are as follows:

Rate of retirement: Professionals with 30 or more years of service	*At age 55*	*At age 62*
Male	0.16	0.70
Female	0.20	0.80

Sensitivity analysis

22.15. Should the assumptions about medical cost trends described above change, this would have an impact on the measurement of the after-service health insurance obligation as follows:

(Thousands of United States dollars)

	+1 per cent health costs	*-1 per cent health costs*
Effect of discount rate change on year-end accumulated defined benefit obligation	(204 875)	275 482
Effect of change in expected rate of medical costs on combined service and interest cost components of net periodic post-employment medical costs	26 364	(19 050)

United Nations Joint Staff Pension Fund

22.16. The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

22.17. The financial obligation of UNDP to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations, Rules and Pension Adjustment System of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a

requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

22.18. The actuarial valuation completed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as at 31 December 2015.

22.19. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

22.20. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of article 26.

22.21. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation, respectively, for new participants of the Fund, with effect not later than 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.

22.22. During 2014, the contributions of UNDP to the United Nations Joint Staff Pension Fund amounted to $167 million (2013: $170.02 million). The amounts include the organizational share as well as the contributions made by the participants. Expected contributions due in 2015 will depend on the staffing levels and any changes in the pensionable remuneration scales estimated at $165 million.

Termination benefits

22.23. In the course of normal operations, UNDP recognized $2.97 million in termination benefits.

Note 23
Other liabilities

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Current		
Unapplied deposits	7 739	7 722
Other payables	2 272	783

	31 December 2014	*31 December 2013*
Finance lease	3	5
Total other current liabilities	**10 014**	**8 510**
Non-current		
Finance lease	–	2
Other payables	19	–
Total other non-current liabilities	**19**	**2**
Total other liabilities	**10 033**	**8 512**

23.1. The finance lease is for office equipment in one UNDP country office.

Note 24
Reserves

(Thousands of United States dollars)

	31 December 2013	*Movements*	*31 December 2014*
Endowment Fund	3 000	–	3 000
Operational reserve	356 968	(8 000)	348 968
Reserve for special initiatives	670	–	670
Total reserves	**360 638**	**(8 000)**	**352 638**

24.1. The Endowment Fund reserve is a contribution of $3.0 million in 1998 from the Government of Japan to strengthen the planning and managerial capacities of Palestinian institutions in order to promote sustainable socioeconomic development. Under the Fund's mechanism and implementation arrangements, the principal amount will not be available for programming until such time as the Government of Japan and/or UNDP agree to terminate the Fund. However, interest earned on the fund is available for programming.

24.2. The operational reserve was established in 1979 by the Governing Council (now the Executive Board) of UNDP to ensure adequate liquidity of UNDP by funding such reserve through a defined formula that is calculated yearly. The operational reserve is made up of the operational reserve for regular resources and the operational reserve for other resources.

24.3. At its annual session in 1999, the Executive Board approved a change of basis for the calculation of the operational reserve for regular resources, which is the sum of the following components:

(a) Income: the equivalent of 10 per cent of the average of the annual voluntary contributions received over the most recent three years, rounded to the nearest $1 million;

(b) Expenditure: the equivalent of 2 per cent of the average total annual expenditure incurred over the most recent three years, rounded to the nearest $1 million;

(c) Liability and structural: the equivalent of 10 per cent of the sum of the income and expenditure components, rounded to the nearest $1 million;

(d) Cash-flow: the equivalent of the cash needs for one month, calculated as one twelfth of the total expenditure of the most recent year, rounded to the nearest $1 million.

24.4. In addition, the Executive Board approved the establishment of an operational reserve for other resource activities. The basis for the calculation of the operational reserve for other resources is the sum of the following components:

(a) Expenditure: the equivalent of 2 per cent of the average total annual expenditure incurred over the most recent three years under cost-sharing, trust fund and reimbursable support services and miscellaneous activities, rounded to the nearest $1 million;

(b) Liability and structural: the equivalent one year of administrative costs, currently estimated at $30 million.

While the reserve calculation for other resources is based on cost-sharing, trust fund and reimbursable support services and miscellaneous activities, the operational reserve for other resources is only presented as part of net assets/equity for reimbursable support services and miscellaneous activities in note 6, "Segment reporting: statement of financial position as at 31 December 2014".

24.5. The reserve for special initiatives of $0.67 million was first approved by the Executive Board in 2000 to establish a capital reserve as a charge from UNDP general resources. This amount will cover relocation costs, such as renovations, furniture, fittings and moving costs.

Note 25
Accumulated surpluses

(Thousands of United States dollars)

	1 January 2014 (restated)	*Movements*	*31 December 2014*
Accumulated surpluses	4 243 335	(305 385)	3 937 950
Funds with specific purposes[a]	73 478	(5 370)	68 108
Actuarial gains/(losses), net	52 226	(225 626)	(173 400)
Changes in fair value of available-for-sale investments	197	(256)	(59)
Total accumulated surpluses	**4 369 236**	**(536 637)**	**3 832 599**

[a] The funds with specific purposes include: security; working capital; information and communications technology; United Nations Volunteers; learning; and personnel and other.

Note 26
Voluntary contributions

(Thousands of United States dollars)

	2014	*2013 (restated)*
Contributions	4 711 458	4 837 447
Government contributions to local office costs	38 958	33 382
Contributions in kind	18 044	17 032
Less: returns to donors of unused contributions	(124 015)	(50 716)
Total voluntary contributions, net	**4 644 445**	**4 837 145**

26.1. Contributions in kind primarily comprise donated use of land and buildings of $17.853 million (2013: $16.857 million), as well as donated goods such as computer equipment and supplies received from donors of $0.191 million (2013: $0.175 million).

26.2. At 31 December 2014, UNDP had $1.429 billion of contribution agreements signed with donors for which revenue has not been recognized in the financial statements. This amount represents contributions due from donors (excluding contributions from programme country Governments for development activities in their country offices) where revenue will be recorded in future accounting periods in accordance with the UNDP revenue recognition accounting policy.

Note 27
Revenue: exchange transactions

(Thousands of United States dollars)

	2014	*2013*
United Nations Department of Safety and Security	88 653	87 076
Reimbursement for management and support services	57 643	54 029
United Nations Volunteers programme	13 182	13 757
Implementation support services fees	17 584	21 839
Payroll management services fees	5 270	4 963
Procurement handling fees	2 795	4 105
Training fees	2 655	3 576
Rental revenue	2 916	2 115
Multi-Partner Trust Fund Office administrative agent fees	4 880	2 994
Sales and royalties from sale of publications	–	16
Other exchange revenue	243	278
Total revenue from exchange transactions	**195 821**	**194 748**

Note 28
Investment revenue

(Thousands of United States dollars)

	2014	*2013*
Investment revenue	38 587	54 569
Total investment revenue	**38 587**	**54 569**

28.1. Investment revenue represents interest plus amortized discount, net of amortized premium, earned on the UNDP investment portfolio and interest earned on bank account balances.

Note 29
Other revenue

(Thousands of United States dollars)

	2014	*2013*
Foreign exchange gains	32 035	20 060
Common services and miscellaneous revenue[a]	84 601	42 563
General management services fees	5 426	4 106
Total other revenue	**122 062**	**66 729**

[a] Of the total amount of $84.601 million, $0.002 million represents reversal for impairment for advances to staff (refer to note 12, "Advances issued"), which was already recognized under surplus and deficit in a prior year.

Note 30
Expenses

(Thousands of United States dollars)

	Programme expenses[a]	*Total expenses*	*Programme expenses*	*Total expenses*
	2014	*2014*	*2013 (restated)*	*2013 (restated)*
30.1 Contractual services				
Contractual services with individuals	1 290 101	1 359 571	1 314 344	1 373 401
Contractual services with companies	693 739	715 414	723 266	741 392
United Nations Volunteers expenses for contractual services	33 186	38 894	37 245	42 377
Total contractual services	**2 017 026**	**2 113 879**	**2 074 855**	**2 157 170**
30.2 Staff costs				
Salary and wages	204 036	657 497	200 898	666 925
Pension benefits	32 898	110 965	31 934	112 658
Post-employment and termination	17 925	112 966	16 390	101 864
Appointment and assignment	10 274	32 984	12 241	32 025
Leave benefits	7 681	19 730	7 885	21 119
Other staff benefits	23 341	52 673	15 854	50 529
Total staff costs	**296 155**	**986 815**	**285 202**	**985 120**
30.3 Supplies and consumables used				
Maintenance costs for property, plant and equipment and project-related supplies	355 145	372 715	327 358	344 935
Medical, pharmaceutical and agricultural supplies	346 105	351 039	269 113	273 745
Information technology supplies and software maintenance	29 732	36 947	45 516	50 007
Information technology and communications equipment	46 522	50 956	55 626	58 751
Security and office supplies	19 965	24 703	18 608	22 091
Other consumables used	3 373	5 869	1 766	2 851
Total supplies and consumables used	**800 842**	**842 229**	**717 987**	**752 380**
30.4 General operating expenses				
Travel	213 205	251 575	226 438	261 796
Learning and recruitment	179 735	198 610	165 932	182 550
Rent, leases, utilities	79 662	183 159	72 447	153 212

	Programme expenses[a]	*Total expenses*	*Programme expenses*	*Total expenses*
	2014	*2014*	*2013 (restated)*	*2013 (restated)*
Communications	106 532	133 816	113 736	138 173
Freight	33 801	35 298	29 062	34 515
Professional services	22 089	23 936	23 336	26 812
Security	16 476	34 158	6 398	20 862
Reimbursement	8 375	17 049	10 068	14 748
Contribution to jointly financed United Nations activities	3 145	11 001	2 348	8 631
Contribution to information and communications technology	2 130	6 353	2 052	7 349
Insurance/warranties	7 714	8 927	5 774	6 774
Management service agreement fees	2 156	2 156	2 675	2 675
Miscellaneous operating expenses	212 723[b]	13 800[c]	199 251	11 414
Total general operating expenses	**887 743**	**919 838**	**859 517**	**869 511**
30.5 Grants and other transfers				
Grants	317 509	319 392	343 805	345 488
Transfers	4 842	11 480	4 404	6 803
Total grants and other transfers	**322 351**	**330 872**	**348 209**	**352 291**
30.6 Other expenses				
Sundries	53 112	59 775	58 073	72 266
Foreign exchange losses	12 885	40 426[d]	5 324	39 108
Losses on sale of fixed assets and intangible assets	694	691	1 092	3 741
Ex gratia payments[e]	–	3	–	215
Impairment	35	405[f]	–	77
Total other expenses	**66 726**	**101 300**	**64 489**	**115 407**
30.7 Depreciation and amortization				
Depreciation	2 090	8 551	1 544	7 014
Amortization	50	2 148	13	981
Total depreciation and amortization	**2 140**	**10 699**	**1 557**	**7 995**

	Programme expenses[a]	*Total expenses*	*Programme expenses*	*Total expenses*
	2014	*2014*	*2013 (restated)*	*2013 (restated)*
30.8 Finance costs				
Bank charges	4 364	8 668	2 904	6 560
Total finance costs	**4 364**	**8 668**	**2 904**	**6 560**
Total expenses	**4 397 347**	**5 314 300**	**4 354 720**	**5 246 434**

[a] Of the total expenses, $4.397 billion represents programme expenses and the remaining $917 million represents development effectiveness, United Nations development coordination, management, special purpose and other. Refer to note 35.1 for details.
[b] Of the $212.723 million, $196.936 million is eliminated to remove the effect of internal UNDP cost recovery.
[c] Of the total miscellaneous operating expenses, $8.135 million represents administrative service fees for United Nations agencies.
[d] Foreign exchange losses of $40.426 million include the effect of exchange rate changes on cash and cash equivalents of $8.564 million.
[e] Ex gratia payments were approved and paid by UNDP in accordance with UNDP financial regulation 23.01 and UNDP financial rule 123.01.
[f] In 2014, UNDP recognized $0.370 million as impairment relating to the valuation of certain non-convertible currency held by UNDP (refer to note 8, "Cash and cash equivalents") and $0.035 million as impairment directly against receivables from third parties (refer to note 11, "Receivables: exchange transactions").

Note 31
Financial instruments and risk management

Valuation

31.1. The table below presents the fair value hierarchy of the UNDP available-for-sale financial instruments carried at fair value at 31 December 2014.

(Thousands of United States dollars)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
Money market investments	39 193	–	–	39 193
Bonds	416 070	–	–	416 070
Total	**455 263**	**–**	**–**	**455 263**

31.2. The three fair value hierarchies are defined by IPSAS based on the significance of the inputs used in the valuation as:

(a) Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices);

(c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

31.3. UNDP did not have any financial assets recognized at fair value through surplus or deficit at 31 December 2014.

31.4. The risk management policies of UNDP, along with its Investment Guidelines and Financial Regulations and Rules, aim to minimize potential adverse effects on the resources available to UNDP to fund its activities. The principal objectives of the UNDP Investment Guidelines are:

- Safety: preservation of capital, provided through investing in high-quality, fixed-income securities emphasizing the creditworthiness of the issuers;
- Liquidity: flexibility to meet cash requirements through investments in highly marketable, fixed-income securities and through structuring maturities to align with liquidity requirements;
- Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

In its operations, UNDP is exposed to a variety of financial risks, including:

- Credit risk: the risk of financial loss to UNDP if counterparties to a financial asset do not meet their contractual obligations;
- Liquidity risk: the risk that UNDP might not have adequate funds to meet its obligations as they fall due;

- Market risk: the risk that UNDP might incur financial losses on its financial assets due to unfavourable movements in foreign currency exchange rates, interest rates and/or prices of investment securities.

31.5. UNDP has an Investment Committee comprising senior management which meets quarterly to review its investment portfolio performance and to ensure that investment decisions are in compliance with the established Investment Guidelines.

31.6. The UNDP Financial Regulations and Rules govern the financial management of UNDP. The regulations and rules are applicable to all funds and programmes administered by UNDP and establish the standard of internal control and accountability within the organization.

31.7. There were no significant changes in the UNDP risk management framework in 2014.

31.8. The following tables show the value of UNDP financial assets and financial liabilities outstanding at year end based on the IPSAS classifications adopted by UNDP.

(a) Financial assets classification

(Thousands of United States dollars)

	Held to maturity	Available for sale	Loans and receivable	Fair value through surplus and deficit	31 December 2014 Book value	31 December 2013 Book value (restated)
Cash and cash equivalents	–	–	426 775	–	426 775	1 075 935
Investments	4 493 570	455 263	–	–	4 948 833	4 454 931
Receivables: non-exchange transactions	–	–	149 910	–	149 910	139 169
Receivables: exchange transactions, net	–	–	56 143	–	56 143	93 075
Advances issued	–	–	243 817	–	243 817	324 230
Loans to Governments	–	–	8 107	–	8 107	10 811
Total financial assets	**4 493 570**	**455 263**	**884 752**	**–**	**5 833 585**	**6 098 151**

(b) Financial liabilities classification

(Thousands of United States dollars)

	Other financial liabilities	Fair value through surplus and deficit	31 December 2014 Book value	31 December 2013 Book value (restated)
Accounts payable and accrued liabilities	161 334	274	161 608	126 697
Advances payable	10 055	–	10 055	16 667
Payables — funds held in trust	593 347	–	593 347	552 805
Funds held on behalf of donors	46 625	–	46 625	19 355
Other liabilities	10 033	–	10 033	8 512
Total financial liabilities	**821 394**	**274**	**821 668**	**724 036**

31.9. Held-to-maturity financial assets are carried at amortized cost. As at 31 December 2014, the market value of these assets exceeded book value by $2.2 million (2013: $9.9 million). Available-for-sale assets are carried at fair market value based on

quoted prices obtained from knowledgeable third parties. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2014, UNDP had no outstanding financial assets recorded at fair value through surplus and deficit.

31.10. As at 31 December 2014, UNDP had $0.274 million in financial liabilities recorded at fair value through surplus and deficit arising from derivatives, with notional amounts of 43 million pounds sterling and 25 million euros. The carrying value of other financial liabilities is a reasonable approximation of their fair value.

Analysis of UNDP credit risk

31.11. UNDP is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments and receivables (non-exchange).

31.12. UNDP operates bank accounts in 154 countries, which exposes it to default risk of local financial institutions. UNDP has established risk assessment criteria to assess the credit worthiness of financial institutions before new bank accounts are opened. In addition, UNDP, using zero-balance accounts, permits local offices to draw funds in United States dollars and euros from a headquarters-managed master account to periodically replenish local currency accounts. Zero-balance accounts are designed to automatically transfer excess balances to the master account for investment in short-term money market instruments. The arrangement minimizes excess balances in local bank accounts.

31.13. With regard to its financial instruments, the UNDP Investment Guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the Investment Guidelines include conservative minimum credit criteria of investment grade for all issuers, with maturity and counterparty limits by credit rating. The Guidelines also require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns, supranationals, governmental or federal agencies, and banks.

31.14. UNDP utilizes credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, to evaluate credit risk on its financial instruments. As at 31 December 2014, UNDP investments were in investment grade instruments as shown in the table below (presented using Standard & Poor's rating convention).

31.15. The investment management function is centralized at UNDP headquarters, and country offices are not permitted in normal circumstances to engage in investing. A country office may receive exceptional approval when conditions warrant investing locally under specified parameters.

(a) Concentration by credit rating

(Thousands of United States dollars)

31 December 2014	*AAA*	*AA-*	*AA to AA-*	*A-*	*A*	*Total*
Money market instruments	–	–	164 191	100 000	274 966	**539 157**
Bonds	2 630 035	994 178	345 924	408 832	30 707	**4 409 676**
Total	**2 630 035**	**994 178**	**510 115**	**508 832**	**305 673**	**4 948 833**

31 December 2013	*AAA*	*AA*	*AA to AA-*	*A*	*Total*
Money market instruments	324 856	99 973	249 759	81 947	**756 535**
Bonds	1 470 132	1 686 588	522 760	18 916	**3 698 396**
Total	**1 794 988**	**1 786 561**	**772 519**	**100 863**	**4 454 931**

Note: Excludes investments classified as cash equivalents and funds held in trust.

31.16. The credit risk exposure of UNDP on outstanding non-exchange receivables is mitigated by the Financial Regulations and Rules of UNDP, which require that, for non-regular resources, expenses be incurred after receipt of funds from donors. Exceptions to incurring expenses prior to the receipt of funds are only permitted if specified risk assessment criteria with regard to the obligor are met. In addition, a large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations entities (as shown in the table below) that do not have significant credit risk.

Receivables: non-exchange transactions by entity type

(Thousands of United States dollars)

	31 December 2014	*31 December 2013 (restated)*
Government entities	44 223	72 993
Non-governmental entities	105 687	66 176
Total receivables: non-exchange transactions	**149 910**	**139 169**

Note: Non-governmental entities mainly comprise supranational and international entities.

31.17. The top three donors accounted for 68 per cent of the outstanding non-exchange receivable balances and comprise of two multilateral agencies and one donor Government as shown in the table below. Based on historical payment patterns, UNDP believes that all non-exchange receivable balances are collectable.

Receivables: non-exchange

(Thousands of United States dollars)

Top three outstanding balances

No.	*Balance*	*Percentage of total*	*Entity type*
1	66 672	44	Multilateral agency
2	18 548	12	Multilateral agency
3	17 444	12	Donor Government
Subtotal	**102 664**	**68**	
Grand total	**149 910**	**100**	

Analysis of UNDP liquidity risk

31.18. Liquidity risk is the risk that UNDP might be unable to meet its obligations, including accounts payable, accrued liabilities, refunds to donors and other liabilities, as they fall due.

31.19. Investments are made with due consideration of the Programme's cash requirements for operating purposes based on cash flow forecasting of future funding needs. As shown in the table below, UNDP maintains a portion of its cash and investments in cash and cash equivalents and current investments, which is sufficient to cover its commitments as and when they fall due.

Liquidity analysis

(Thousands of United States dollars)

	31 December 2014	*Percentage*	*31 December 2013 (restated)*	*Percentage*
Cash balances	284 023	5	278 527	5
Cash equivalents	142 752	3	797 408	14
Total cash and cash equivalents	**426 775**	**8**	**1 075 935**	**19**
Current investments	2 129 312	40	2 432 889	44
Non-current investments	2 819 521	52	2 022 042	37
Total short- and long-term investments	**4 948 833**	**92**	**4 454 931**	**81**
Total investments, cash and cash equivalents	**5 375 608**	**100**	**5 530 866**	**100**

Note: Excludes funds held in trust; investments classified as cash equivalents have a maturity of three months or less from the date of purchase.

31.20. Although UNDP did have a larger percentage of the portfolio invested in bonds at the end of end 2014 versus the end of 2013, these were highly liquid securities with relatively short-term maturities (2-3 years). In the unlikely event of insufficient funds for current obligations, UNDP could easily liquidate such assets with minimal transaction cost and delay.

Composition of cash equivalents

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Money market funds	132 732	235 192
Time deposits	–	100 000
Money market instruments	–	344 955
Overnight sweep investments	–	51 784
Bonds	10 020	65 477
Cash equivalents	**142 752**	**797 408**

Note: Excludes funds held in trust.

31.21. UNDP further mitigates its liquidity risk through its Financial Regulations and Rules, which prohibit offices from entering into commitments, including purchase commitments, unless a budget already exists. Spending is possible after funds are received and budgets are updated. Spending ability is constantly revised as commitments are made and expenditures incurred. Spending in the absence of a funded budget has to comply with UNDP risk management guidelines.

Analysis of market risk to UNDP

31.22. Market risk is the risk that UNDP is exposed to potential financial losses due to unfavourable movements in market prices of financial instruments including movements in interest rates, exchange rates and prices of securities.

31.23. Interest rate risk arises from the effects of market interest rates fluctuations on:

(a) Fair value of financial assets and liabilities;

(b) Future cash flows.

31.24. A portion (9.2 per cent) of the UNDP investment portfolio is classified as available-for-sale investments that are carried at fair value through net assets/equity, which expose UNDP to interest rate risk. However, a significant portion (90.8 per cent) of the portfolio is classified as held to maturity, which is not marked to market, and therefore net assets and surplus/deficit reported in the Programme's financial statements are not significantly impacted by changes in interest rates.

Classification of investments

(Thousands of United States dollars)

	Book value basis	*31 December 2014*	*31 December 2013*
Held to maturity investments	Amortized cost	4 493 570	4 085 579
Available-for-sale investments	Fair value	455 263	369 352
Total investments		**4 948 833**	**4 454 931**

31.25. UNDP invests in a limited amount of United States dollar-denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2014, UNDP had $169.10 million (2013: $183.77 million) in outstanding floating rate fixed income securities, with maturities ranging from less than one month to two-and-a-half years.

31.26. The table below presents the interest sensitivity of UNDP investments based on the duration of its securities. The sensitivity is limited to the investments classified as available for sale, which are marked to market through net assets/equity and changes in interest rates would therefore have no impact on the UNDP surplus and deficit.

Available-for-sale financial assets interest rate sensitivity analysis

(Thousands of United States dollars)

31 December 2014		*Impact on the financial statements*	
Market value	*Sensitivity variation*	*Net assets*	*Surplus and deficit*
455 262	100 basis point increase	(9 261)	–
455 262	50 basis point decrease	4 630	–

Note: Excludes investments classified as cash and cash equivalents.

Foreign exchange risk

31.27. The Programme's transactions are primarily denominated in United States dollars but UNDP is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

31.28. UNDP receives donor contributions primarily in United States dollars and also in a number of major currencies, including the euro, the pound sterling, the Norwegian krone, the Canadian dollar, the Japanese yen, the Swiss franc and the Australian dollar. In addition, programme country governments make contributions mainly in their national currencies to programmes in their countries. On an ongoing basis, UNDP evaluates its need to hold cash and other financial assets in foreign currencies against its foreign currency obligations.

(a) Cash and cash equivalents, investments and receivables: non-exchange

	United States dollar	*Euro*	*Venezuelan bolivar fuerte*	*Other*	*31 December 2014 total*	*31 December 2013 total (restated)*
Cash and cash equivalents	273 489	52 249	34 986	66 051	426 775	1 075 935
Investments	4 948 833	–	–	–	4 948 833	4 454 931
Receivables: non-exchange	60 810	74 340	–	14 760	149 910	139 169
Total cash and cash equivalents, investments and receivables: non-exchange	**5 283 132**	**126 589**	**34 986**	**80 811**	**5 525 518**	**5 670 035**

(b) Foreign exchange sensitivity analysis

(Thousands of United States dollars)

	Currency depreciation		*Currency appreciation*	
	Surplus (deficit)	*Net assets*	*Surplus (deficit)*	*Net assets*
Euro (10 per cent change)	(11 508)	–	14 065	–
Venezuelan bolivar fuerte (10 per cent change)	(3 180)	–	3 887	–

Note: The above figures represent the sensitivity of cash and cash equivalents, investments and receivables: non-exchange to changes in foreign exchange rates.

31.29. At 31 December 2014, all UNDP investments were denominated in United States dollars. However, cash balances were held in several non-United States dollar currencies, primarily in order to support local operating activities in programme countries where a large portion of payments are made in the local currency. UNDP maintains a minimum level of assets in local currencies and, whenever possible, converts excess local currency balances in bank accounts into United States dollars.

31.30. The Programme's financial assets and financial liabilities are primarily denominated in United States dollars, thereby reducing its overall foreign currency exposure. Financial liabilities, including funds received in advance and funds held on behalf of donors are carried in the UNDP ledger in United States dollars, although some portion may be refunded in local currency at the donor's request.

Note 32
Related parties

Key management personnel

32.1. The leadership structure of UNDP consists of an Executive Group of 13 members. The Executive Group is responsible for the strategic direction and operational management of UNDP and is entrusted with significant authority to execute the UNDP mandate. Collectively the Executive Group comprises four tiers: an Under-Secretary-General and Administrator (Administrator); an Under-Secretary-General (Associate Administrator); nine Assistant Secretaries-General (Assistant Administrators); and a Special Adviser to the Administrator and a Chief of Staff and Director, Executive Office.

Remuneration

(Thousands of United States dollars)

Tier	*Number of positions*	*Salary and post adjustment*	*Other entitlements*	*Total remuneration*	*After-service health insurance, repatriation, death benefit and annual leave liability*
Key management personnel	13	2 999	629	3 628	6 679
Close family members of key management personnel	1	163	–	163	154
Total	**14**	**3 162**	**629**	**3 791**	**6 833**

32.2. The remuneration paid to key management personnel includes salary, post adjustment and other entitlements as applicable in accordance with the Staff Rules and Staff Regulations of the United Nations.

Loans

32.3. Staff advances are available to UNDP staff, including key management personnel, for specific purposes as provided for in the Staff Regulations of the United Nations. As at 31 December 2014, there were no advances issued to key management personnel and their close family members that would not have been made available to all UNDP staff.

United Nations system

32.4. UNDP is engaged in United Nations system initiatives such as joint funding arrangements (multi-donor trust funds and joint programmes) and common services arrangements. Within joint funding mechanisms, United Nations entities work together to implement activities and achieve results. Each of the participating United Nations entities assumes its share of responsibilities related to planning, implementing, monitoring and evaluating these activities.

32.5. UNDP is a cosponsoring organization of the Joint United Nations Programme on HIV/AIDS (UNAIDS), an innovative joint effort of the United Nations family to respond in a coordinated manner on the issue of HIV/AIDS. UNDP participates in setting the financial and operating policies of the Programme Coordinating Board of UNAIDS, which is headquartered in Geneva.

Note 33
Commitments and contingencies

Open commitments

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Property, plant and equipment	6 399	8 197
Goods	159 071	225 358
Services	95 462	84 405
Total open commitments	**260 932**	**317 960**

33.1. As at 31 December 2014, commitments of UNDP for the acquisition of various goods and services contracted but not received amounted to $260.932 million.

Lease commitments by term

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Obligations for property leases		
Less than 1 year	53 220	48 663
1-5 years	84 295	88 719
Beyond 5 years	26 266	31 949
Total property leases obligations	**163 781**	**169 331**

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Obligations for equipment leases		
Less than 1 year	63	60
1-5 years	58	41

	31 December 2014	*31 December 2013*
Beyond 5 years	90	90
Total equipment leases obligations	**211**	**191**

33.2. The above tables represent future lease payment obligations during the contractual term of the leases. Typically, at the inception, the duration of contractual leases for premises entered into by UNDP is between 1 to 5 years.

Contingent assets

33.3. At 31 December 2014, UNDP had a contingent asset for a compound in South Sudan over which there is an ownership dispute. Owing to that dispute, UNDP has not recognized the land and buildings in the compound as property, plant and equipment. The fair value of the land and buildings was last assessed by independent valuators in 2011 at $8.9 million.

33.4. At 31 December 2014, UNDP had $1.429 billion in non-regular resources contribution agreements signed with donors for which revenue has not been recognized in the financial statements. This amount represents contributions due from donors (excluding contributions from programme country Governments for development activities in their country offices), revenue from which will be recorded in future accounting periods in accordance with the UNDP revenue-recognition accounting policy. In addition, pledged or expected contributions of $40.3 million for regular resources have not been recognized as revenue in 2014. These contributions will be recognized in future periods when cash is received in accordance with the UNDP revenue-recognition accounting policy.

Contingent liabilities

33.5. In the normal course of operations, UNDP is subject to claims which have been categorized as: (a) corporate and commercial claims; (b) administrative law claims; and (c) other claims.

33.6. As at 31 December 2014, corporate and commercial and administrative law claims totalled $5.019 million. Owing to the uncertainty of the outcome of those claims, no impairment or allowance for loss has been recorded as the occurrence, amount and timing of outflow is not certain. UNDP does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

33.7. UNDP is a partner organization with the International Computing Centre, which is based in Geneva. The memorandum of understanding between the two organizations provides for financial responsibility of both partner organizations should any third-party claim or liability arise within certain conditions. As at 31 December 2014, there were no such claims.

Note 34
Structural change

34.1. UNDP is in the process of a corporate restructuring, the implementation of which began in 2014, with the goal of improving its institutional effectiveness

through better functional and geographic integration at headquarters and the regional level, in order to meet its strategic plan objectives. As at 31 December 2014, a restructuring provision of $5.592 million has been recognized for the first time to account for the direct expenses arising from the restructuring that are not associated with the ongoing activities of UNDP. The related outflows are primarily for estimated separation costs which are expected to be incurred throughout 2015 and may change should the affected staff members obtain continued employment with UNDP or other United Nations agencies.

34.2. Expenses in 2014 relating to the structural change, including the above provision, are $25.838 million. Effective implementation of the structural changes includes staff relocation to the regional hubs and shared service centres, separation costs, technical expertise to support implementation and investments in training, capability and technology to support new functions and improved business processes.

34.3. Details of the structural change expenses on statement II, statement of financial performance, are provided below (in thousands of United States dollars):

Expenses	*Expenses from statement of financial performance 2014*	*Structural change expenses*	*Total excluding structural change expenses*
Contractual services	2 113 879	(5 394)	2 108 485
Staff costs	986 815	(20 055)	966 760
Supplies and consumables used	842 229	(37)	842 192
General operating expenses	919 838	(352)	919 486
Grants and other transfers	330 872	–	330 872
Other expenses	101 300	–	101 300
Depreciation and amortization	10 699	–	10 699
Finance costs	8 668	–	8 668
Total	**5 314 300**	**(25 838)**	**5 288 462**

Note 35
Events after reporting date

35.1. The reporting date for these financial statements is 31 December 2014. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 36
Additional disclosure

36.1
Total expenses by cost classification

(Thousands of United States dollars)

	2014
Development	
Programme	4 397 347
Development effectiveness	175 242
United Nations development coordination	117 203
Management	450 144
Special purpose	66 370
Other	330 603
Elimination	(222 609)[a]
Total expenses	**5 314 300**

[a] This adjustment is required to remove the effect of internal UNDP cost recovery.

36.2
Programme expenses by executing entity/implementing partner, and responsible party

36.2.1 The executing entity/implementing partner is the entity that has management responsibility and accountability for project implementation and results. The executing entity/implementing partner may contract with a responsible party to implement and practically deliver outputs.

36.2 (a)
Programme expenses by executing entity/implementing partner
(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
Governments	214 555	1 532 130	638 403	547	**2 385 635**
International non-governmental organizations	3	13 608	1 517	–	**15 128**
National non-governmental organizations	765	6 347	4 362	–	**11 474**
Food and Agriculture Organization of the United Nations	359	–	–	–	**359**
International Atomic Energy Agency	–	–	42	–	**42**
International Civil Aviation Organization	–	–	44	–	**44**
International Maritime Organization	–	–	662	–	**662**
International Monetary Fund	–	–	31	–	**31**
International Telecommunication Union	–	441	–	–	**441**
United Nations Volunteers programme	–	–	–	32 302	**32 302**
Secretariat of the United Nations, Department of Economic and Social Affairs	4	–	–	–	**4**
United Nations Educational, Scientific and Cultural Organization	35	201	45	–	**281**
United Nations Office for Project Services	1 034	15 036	70 455	55 779	**142 304**
United Nations Institute for Training and Research	–	–	416	–	**416**
World Health Organization	–	–	942	–	**942**
United Nations Development Programme	249 245	1 354 943	202 100	994	**1 807 282**
Total programme expenses	**466 000**	**2 922 706**	**919 019**	**89 622**	**4 397 347**

36.2 (b)
Programme expenses by responsible party

1. "Responsible party" refers to the party responsible for contractual implementation and practical delivery of outputs.

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	***Total***
Governments	194 232	1 331 370	644 774	490	**2 170 866**
International non-governmental organizations	1 583	98 802	2 882	–	**103 267**
National non-governmental organizations	2 304	47 221	4 143	–	**53 668**
Economic Commission for Africa	–	100	–	–	**100**
Economic and Social Commission for Western Asia	–	932	389	–	**1 321**
Economic Commission for Europe	–	372	–	–	**372**
Food and Agriculture Organization of the United Nations	808	4 314	1 292	–	**6 414**
International Atomic Energy Agency	–	–	42	–	**42**
International Civil Aviation Organization	–	–	44	–	**44**
International Labour Organization	–	1 288	–	–	**1 288**
International Maritime Organization	–	–	662	–	**662**
International Organization for Migration	–	1 423	1 099	–	**2 522**
International Trade Centre	–	417	258	–	**675**
International Telecommunication Union	–	441	–	–	**441**
Joint United Nations Programme on HIV/AIDS	–	85	–	–	**85**
United Nations Capital Development Fund	1 250	–	167	–	**1 417**
United Nations Human Settlements Programme (UN-Habitat)	531	5 936	108	–	**6 575**
United Nations Conference on Trade and Development	–	149	2	–	**151**
Secretariat of the United Nations, Department of Economic and Social Affairs	318	1 660	–	–	**1 978**
United Nations Volunteers programme	–	–	–	32 548	**32 548**
United Nations Environment Programme	–	139	69	–	**208**
United Nations Educational, Scientific and Cultural Organization	193	2 173	627	–	**2 993**
United Nations Population Fund	52	7 638	150	–	**7 840**
United Nations Children's Fund	714	9 670	–	–	**10 384**
United Nations Industrial Development Organization	–	273	–	–	**273**

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	806	2 361	–	–	**3 167**
United Nations Institute for Training and Research	154	37	613	–	**804**
United Nations Office on Drugs and Crime	–	283	–	–	**283**
United Nations Office for Project Services	762	43 803	86 818	55 787	**187 170**
Other United Nations entities	5	17	–	–	**22**
World Food Programme	10	1 958	–	–	**1 968**
World Health Organization	150	5 333	942	–	**6 425**
World Meteorological Organization	–	208	–	–	**208**
World Tourism Organization	628	226	–	–	**854**
United Nations Development Programme	261 500	1 354 077	173 938	797	**1 790 312**
Total programme expenses	**466 000**	**2 922 706**	**919 019**	**89 622**	**4 397 347**

36.3
Programme expenses by geographical region

(Thousands of United States dollars)

	Africa	*Arab States*	*Asia and the Pacific*	*Europe and Commonwealth of Independent States*	*Latin America and the Caribbean*	*Global and others*	***Total***
Expenses							
Contractual services	304 811	193 279	835 688	171 818	386 443	124 987	**2 017 026**
Staff costs	74 825	37 564	69 327	11 954	24 163	78 322	**296 155**
Supplies and consumables used	317 484	65 258	88 165	58 915	229 145	41 875	**800 842**
General operating expenses	261 046	98 731	207 420	61 105	171 183	88 258	**887 743**
Grants and other transfers	62 390	57 388	52 095	26 450	63 523	60 505	**322 351**
Other expenses	20 649	6 510	9 161	4 375	19 884	6 147	**66 726**
Depreciation and amortization	698	390	485	172	246	149	**2 140**
Finance costs	2 831	555	270	296	312	100	**4 364**
Total	**1 044 734**	**459 675**	**1 262 611**	**335 085**	**894 899**	**400 343**	**4 397 347**

36.4
Reimbursable support services and miscellaneous activities

36.4 (a)
Statement of financial position

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	***Total***
Assets								
Current assets								
Cash and cash equivalents	56 225	6 345	6 975	7 263	2 531	730	1 330	**81 399**
Investments	281 050	31 724	34 849	36 289	10 991	3 650	6 647	**405 200**
Receivables: non-exchange transactions	5	–	1 017	961	1 533	–	–	**3 516**
Receivables: exchange transactions, net	2 161	–	4 757	34	–	84	–	**7 036**
Advances issued, net	3 249	–	162	227	–	–	–	**3 638**
Loans to Governments	–	–	–	–	–	892	–	**892**
Inventories	1 445	–	2	41	–	–	–	**1 488**
Total current assets	**344 135**	**38 069**	**47 762**	**44 815**	**15 055**	**5 356**	**7 977**	**503 169**
Non-current assets								
Investments	365 365	41 241	45 304	47 175	14 288	4 746	8 641	**526 760**
Loans to Governments	–	–	–	–	–	7 215	–	**7 215**
Property, plant and equipment	38 332	–	801	8 931	–	10 375	–	**58 439**
Intangible assets	3 255	–	–	9	–	–	–	**3 264**
Total non-current assets	**406 952**	**41 241**	**46 105**	**56 115**	**14 288**	**22 336**	**8 641**	**595 678**
Total assets	**751 087**	**79 310**	**93 867**	**100 930**	**29 343**	**27 692**	**16 618**	**1 098 847**

36.4 (a)

Statement of financial position (continued)

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	*Total*
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	27 878	4 567	5 483	811	10 692	–	–	**49 431**
Advances payable	50	–	–	392	18	–	–	**460**
Funds received in advance and deferred revenue	5 861	–	–	2 044	355	7	–	**8 267**
Funds held on behalf of donors	–	–	–	3 519	–	–	–	**3 519**
Employee benefits	17 945	–	2	13	–	–	–	**17 960**
Other current liabilities	2 259	–	1	48	549	32	–	**2 889**
Provision for restructuring	5 592	–	–	–	–	–	–	**5 592**
Total current liabilities	**59 585**	**4 567**	**5 486**	**6 827**	**11 614**	**39**	**–**	**88 118**
Non-current liabilities								
Funds received in advance and deferred revenue	8 687	–	–	–	–	–	–	**8 687**
Employee benefits	449 950	–	–	–	–	–	–	**449 950**
Other non-current liabilities	19	–	–	–	–	–	–	**19**
Total non-current liabilities	**458 656**	**–**	**–**	**–**	**–**	**–**	**–**	**458 656**
Total liabilities	**518 241**	**4 567**	**5 486**	**6 827**	**11 614**	**39**	**–**	**546 774**
Net assets/equity								
Reserves	116 968	–	–	–	–	25 000	–	**141 968**
Accumulated surpluses	115 878	74 743	88 381	94 103	17 729	2 653	16 618	**410 105**
Total net assets/equity	**232 846**	**74 743**	**88 381**	**94 103**	**17 729**	**27 653**	**16 618**	**552 073**
Total liabilities and net assets/equity	**751 087**	**79 310**	**93 867**	**100 930**	**29 343**	**27 692**	**16 618**	**1 098 847**

36.4 (b)
Statement of financial performance
(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Total*
Revenue							
Voluntary contributions, net[a]	38 426	3 535	16 767	72 313	13 789	–	**144 830**
Revenue: exchange transactions	91 425	–	13 336	89 490	–	847	**195 098**
Investment revenue	4 000	581	410	170	2	–	**5 163**
Other revenue	279 440	238	19 022	8 326	–	3	**307 029**
Total revenue	**413 291**	**4 354**	**49 535**	**170 299**	**13 791**	**850**	**652 120**
Expenses							
Contractual services	44 121	18 658	22 653	21 080	–	22	**106 534**
Staff costs	249 398	–	13 818	97 851	14 052	162	**375 281**
Supplies and consumables used	20 394	34 466	1 404	5 373	–	46	**61 683**
General operating expenses	98 139	2 422	15 912	33 411	3 712	76	**153 672**
Grants and other transfers	6 258	–	31	387	–	–	**6 676**
Other expenses	1 853	241	571	1 847	11	–	**4 523**
Depreciation and amortization	4 552	–	92	173	–	282	**5 099**
Finance costs	67	–	3	973	4	–	**1 047**
Total expenses	**424 782**	**55 787**	**54 484**	**161 095**	**17 779**	**588**	**714 515**
Surplus/(deficit) for the year	**(11 491)**	**(51 433)**	**(4 949)**	**9 204**	**(3 988)**	**262**	**(62 395)**

[a] Voluntary contributions are net of returns to donors of unused contributions.

36.5
Cost-sharing: government and third-party cost-sharing: statement of financial performance

(Thousands of United States dollars)

	Third-party cost-sharing	*Government cost-sharing*	*Total*
Revenue			
Voluntary contributions, net[a]	1 997 599	810 364	**2 807 963**
Revenue: exchange transactions	374	38	**412**
Investment revenue	4 887	12 398	**17 285**
Other revenue	2 330	909	**3 239**
Total revenue	**2 005 190**	**823 709**	**2 828 899**
Expenses			
Contractual services	769 866	439 087	**1 208 953**
Staff costs	128 927	13 563	**142 490**
Supplies and consumables used	451 659	232 408	**684 067**
General operating expenses	463 983	150 126	**614 109**
Grants and other transfers	168 822	51 601	**220 423**
Other expenses	27 738	19 994	**47 732**
Depreciation and amortization	1 134	82	**1 216**
Finance costs	3 436	280	**3 716**
Total expenses	**2 015 565**	**907 141**	**2 922 706**
Surplus/(deficit) for the year	**(10 375)**	**(83 432)**	**(93 807)**
Net assets/equity			
Closing accumulated surpluses as at 31 December 2013	1 806 096	947 530	**2 753 626**
Transfers from/(to) other resources	224	(5 944)	**(5 720)**
Prior-period adjustments	770	1 539	**2 309**
Closing net assets/equity as at 31 December 2014	**1 796 715**	**859 693**	**2 656 408**

[a] Voluntary contributions are net of returns to donors of unused contributions.

36.6 (a)
Top 10 trust funds: statement of financial position
(Thousands of United States dollars)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*UNDP Thematic Trust Fund on Poverty Reduction for Sustainable Development*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Assets					
Current assets					
Cash and cash equivalents	2 236	9 208	369	22 829	6 706
Investments	11 179	46 042	1 845	113 771	33 531
Receivables: non-exchange transactions	79	–	–	76	–
Receivables: exchange transactions, net	11	–	3	99	–
Advances issued, net	1 427	–	26	8 959	85
Inventories	–	–	–	46	–
Other current assets, net	–	–	–	1	–
Total current assets	**14 932**	**55 250**	**2 243**	**145 781**	**40 322**
Non-current assets					
Investments	14 532	59 854	2 398	147 903	43 590
Property, plant and equipment	398	1 346	11	842	34
Total non-current assets	**14 930**	**61 200**	**2 409**	**148 745**	**43 624**
Total assets	**29 862**	**116 450**	**4 652**	**294 526**	**83 946**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	266	72	65	5 972	360
Advances payable	–	25	–	2 252	–
Funds held on behalf of donors	–	–	–	79	–
Employee benefits	–	–	–	1	–
Other current liabilities	–	–	–	4	–
Total current liabilities	**266**	**97**	**65**	**8 308**	**360**
Total liabilities	**266**	**97**	**65**	**8 308**	**360**

	Programme of Assistance to the Palestinian People	Law and Order Trust Fund for Afghanistan	UNDP Democratic Governance Fund/Fund for Peacebuilding and Sustainable Development	Global Environment Facility	Multilateral Fund for the Implementation of the Montreal Protocol
Net assets/equity					
Reserves	3 000				
Accumulated surpluses	26 596	116 353	4 587	286 218	83 586
Total net assets/equity	**29 596**	**116 353**	**4 587**	**286 218**	**83 586**
Total liabilities and net assets/equity	**29 862**	**116 450**	**4 652**	**294 526**	**83 946**

36.6 (a)
Top 10 trust funds: statement of financial position (continued)

(Thousands of United States dollars)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Thematic Trust Fund on Environment*	*UNDP-Republic of Korea Millennium Development Goals Trust Fund for Programming Fund-based Cooperation*
Assets					
Current assets					
Cash and cash equivalents	1 065	7 204	337	5 312	677
Investments	5 323	35 990	1 688	26 559	3 384
Receivables: non-exchange transactions	127	3 839	–	–	–
Receivables: exchange transactions, net	5	57	–	2	61
Advances issued, net	36	2 036	23	297	140
Inventories	–	18	–	–	–
Other current assets, net	–	–	–	40	–
Total current assets	**6 556**	**49 144**	**2 048**	**32 210**	**4 262**
Non-current assets					
Investments	6 920	46 786	2 194	34 527	4 399
Property, plant and equipment	65	344	–	10	75
Total non-current assets	**6 985**	**47 130**	**2 194**	**34 537**	**4 474**
Total assets	**13 541**	**96 274**	**4 242**	**66 747**	**8 736**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	166	1 382	–	87	32
Advances payable	164	964	–	–	608
Funds held on behalf of donors	–	246	–	–	–
Employee benefits	2	3	–	–	–
Other current liabilities	6	–	–	–	–
Total current liabilities	**338**	**2 595**	–	**87**	**640**
Total liabilities	**338**	**2 595**	–	**87**	**640**

	UNDP Thematic Trust Fund for Democratic Governance	UNDP Thematic Trust Fund for Crisis Prevention and Recovery	International Commission against Impunity in Guatemala	UNDP Thematic Trust Fund on Environment	UNDP Republic of Korea Millennium Development Goals Trust Fund for Programming Fund-based Cooperation
Net assets/equity					
Reserves					
Accumulated surpluses	13 203	93 679	4 242	66 660	8 096
Total net assets/equity	**13 203**	**93 679**	**4 242**	**66 660**	**8 096**
Total liabilities and net assets/equity	**13 541**	**96 274**	**4 242**	**66 747**	**8 736**

36.6 (b)
Top 10 trust funds: statement of financial performance
(Thousands of United States dollars)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*UNDP Thematic Trust Fund on Poverty Reduction for Sustainable Development*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Revenue					
Voluntary contributions, net[a]	10 948	366 977	2 309	312 378	25 725
Revenue: exchange transactions	–	–	–	1	–
Investment revenue	195	1 138	49	2 334	599
Other revenue	1	5	18	26	906
Total revenue	**11 144**	**368 120**	**2 376**	**314 739**	**27 230**
Expenses					
Contractual services	14 478	361 671	1 239	157 252	15 225
Staff costs	11	2 334	4 003	23 210	1 948
Supplies and consumables used	94	330	19	29 978	3 703
General operating expenses	2 095	18 194	3 125	78 224	4 882
Grants and other transfers	–	–	101	56 065	12 034
Other expenses	322	63	135	6 556	234
Depreciation and amortization	33	135	2	59	4
Finance costs	–	–	4	140	2
Total expenses	**17 033**	**382 727**	**8 628**	**351 484**	**38 032**
Surplus/(deficit) for the year	**(5 889)**	**(14 607)**	**(6 252)**	**(36 745)**	**(10 802)**

[a] Voluntary contributions are net of returns to donors of unused contributions.

36.6 (b)
Top 10 trust funds: statement of financial performance (continued)

(Thousands of United States dollars)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Thematic Trust Fund on Environment*	*UNDP-Republic of Korea Millennium Development Goals Trust Fund for Programming Fund-based Cooperation*
Revenue					
Voluntary contributions, net[a]	12 395	83 128	9 517	24 537	4 505
Revenue: exchange transactions	–	–	–	–	–
Investment revenue	111	578	43	337	67
Other revenue	40	194	–	–	–
Total revenue	**12 546**	**83 900**	**9 560**	**24 874**	**4 572**
Expenses					
Contractual services	2 681	21 574	157	2 632	3 485
Staff costs	5 637	22 365	8 505	1 771	536
Supplies and consumables used	182	6 195	287	142	189
General operating expenses	5 666	25 631	1 354	1 938	1 736
Grants and other transfers	1 013	4 759	–	10	1 699
Other expenses	272	1 083	38	37	118
Depreciation and amortization	8	42	–	1	6
Finance costs	1	31	–	1	6
Total expenses	**15 460**	**81 680**	**10 341**	**6 532**	**7 775**
Surplus/(deficit) for the year	**(2 914)**	**2 220**	**(781)**	**18 342**	**(3 203)**

[a] Voluntary contributions are net of returns to donors of unused contributions.

36.7
All trust funds established by UNDP: schedule of financial performance

(Thousands of United States dollars)

Name of trust fund	*Net assets 31 December 2013*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
Fund Manager: UNDP Africa						
African Peer Review Mechanism of the New Partnership for Africa's Development	847	–	847	6	(67)	786
Appui au processus désarmement, démobilisation et réintégration en Côte d'Ivoire — equipment et fonctionnement des sites et appui à la communication — désarmement, démobilisation et réintégration	69	–	69	(69)	–	–
Belgium Trust Fund for Support to the Elections Project in the Democratic Republic of the Congo	2 893	–	2 893	(34)	–	2 859
Belgium Trust Fund for Trade Capacity Development for Poverty Reduction and Human Development for Sub-Saharan Africa	197	–	197	–	(150)	47
Canadian International Development Agency/UNDP Trust Fund to Support "Recensement général de la population et de l'habitat" in Sénégal	34	–	34	(17)	–	17
Comoros transitional arrangement	105	–	105	1	–	106
EEC/Seychelles: Post-Tsunami Rehabilitation Efforts	1	–	1	(1)	–	–
EEC: "Project CHOC Cameroun: Change Habits-Oppose Corruption"	11	–	11	(1)	–	10
EEC: 2005 Census Support Initiatives in Nigeria	465	–	465	–	–	465
EEC: Appui a la mise en place des centres de brassage dans le cadre de la reforme du secteur sécuritaire en République démocratique du Congo	3	–	3	–	–	3
EEC: Appui à la stratégie nationale de lutte contre les mines: appui au démarrage du Centre de Lutte contre les Mines en Casamance	16	–	16	–	–	16
EEC: Appui au processus électoral en Mauritanie	39	–	39	–	–	39
EEC: Appui aux élections législatives 2007 (phase 1)	1	–	1	(36)	5	(30)
EEC: Appui institutionnel à la commission nationale de déminage, au niveau national et provincial	1	–	1	–	–	1
EEC: Capacity Development Component of the Parliamentary Reform Programme III	192	–	192	(106)	–	86
EEC: Capacity support for sustainable management of energy resources with ECOWAS and UEMOA	78	–	78	–	(1)	77
EEC: Capacity-Building of State and Non-State Actors in the Seychelles	42	–	42	(5)	(37)	–
EEC: Election Observation Mission to Nigeria	(1)	–	(1)	1	–	–

Name of trust fund	*Net assets 31 December 2013*	*Prior-period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
EEC: Eritrea Trust Fund for Support to the Mine Action Capacity-building Programme	163	–	163	–	(29)	134
EEC: Mine Action in the Tigray and Afar Regions of Ethiopia	21	–	21	(21)	–	–
EEC: Mozambique Landmine Technical Survey: Inhambane and Maputo Provinces	–	–	–	–	(1)	(1)
EEC: Organisation de l'atelier de démarrages du programme réhabilitation et développement en Guinée Forestière	7	–	7	(7)	–	–
EEC: Programme d'appui a la bonne gouvernance au Tchad	68	–	68	–	–	68
EEC: Réhabilitation des pistes rurales suivant la méthode haute intensite de main d'œuvre en République du Congo	(533)	–	(533)	533	–	–
EEC: Republic of Congo Trust Fund for the project "Collecte et destruction des armes pour le développement"	(19)	–	(19)	–	(5)	(24)
EEC: Review of the Constitution of the Republic of Malawi	1	–	1	–	–	1
EEC: Support for the project "Assessoria Técnica para a Consolidação das Capacidades da CNIDAH", Angola	(69)	–	(69)	68	–	(1)
EEC: Support for deepening democracy in the United Republic of Tanzania	31	–	31	–	–	31
EEC: Support for Election Observation in the United Republic of Tanzania	1	–	1	–	–	1
EEC: Support for internally displaced persons/expellees/return/resettlement: health facility in Eritrea	(28)	–	(28)	–	29	1
EEC: Support for Legislative and Presidential Elections in Niger	1	–	1	–	–	1
EEC: Support for Swaziland Gender Programme	(1)	–	(1)	–	–	(1)
EEC: Support for the Election Observation Mission to Nigeria in April 2007	214	–	214	–	–	214
EEC: Support for the implementation of the integrated drylands development programme	(20)	–	(20)	–	(21)	(41)
EEC: Support for the International Colloquium on Women's Empowerment, Leadership Development, International Peace and Security and the follow-up in Liberia	1	–	1	(1)	–	–
EEC: Support for the National Civic Education Programme (Phase II)	1	–	1	(1)	–	–
EEC: Support for the National Institute of Statistics of Rwanda	(2)	–	(2)	2	–	–
EEC: Support for the Observation of the Election Process in Côte d'Ivoire	398	–	398	(399)	1	–

Name of trust fund	*Net assets 31 December 2013*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
EEC: Support for the Organization of the October 2005 National Elections in Liberia	1	–	1	(1)	–	–
EEC: Support to Central Bank of Kenya Decision Capacity Development Project	15	–	15	(15)	–	–
EEC: Support to internally displaced persons/expellees/return/ resettlement (food security) in Eritrea	2	–	2	–	–	2
EEC: Support to shared funding for the joint governance assessment for Rwanda	(1)	–	(1)	–	–	(1)
EEC: Support to the Sustainable Development Poverty Reduction Programme in Ethiopia	2	–	2	–	–	2
EEC: Supporting Citizen Access to Justice in Mozambique	(121)	668	547	(686)	(65)	(204)
EEC: Sustained Good Governance in Ethiopia through Capacity-Building of National Parliament	–	–	–	(22)	–	(22)
EEC: Transfer of Knowledge through Expatriate Nationals in Mali	(106)	–	(106)	–	113	7
EEC-Comoros: Appui à la mise en œuvre de l'accord sur les dispositions transitoires	(274)	–	(274)	–	–	(274)
European Commission: Joint Donor Basket Fund to Support Nigeria's 2007 Elections	2 562	–	2 562	–	–	2 562
European Union Election Observation Mission to Liberia	2	–	2	(2)	–	–
Extension of the Eritrean Landmine Impact Survey	74	–	74	–	–	74
Finland Trust Fund for National Technical Cooperation Assessment and Programme Activities	338	–	338	2	(189)	151
Fonds fiduciaire du PNUD concernant l'organisation pour l'harmonisation en Afrique du droit des affaires	(61)	–	(61)	–	(1)	(62)
Justice and Security Trust Fund for Liberia	2 633	–	2 633	1 505	115	4 253
Support for capacity-building for the National Demining Institute in Mozambique	23	–	23	–	(14)	9
Support for the organization of municipal elections in Niger	2	–	2	–	–	2
Support to Burundi elections process	240	–	240	(240)	–	–
Support to the Malawi tripartite elections — 2004	1	–	1	–	–	1
Trust Fund for the 2006 Burundi Emergency Programme	1 203	–	1 203	(1 203)	–	–
Trust Fund with Norway for Support for Governance in Africa	286	–	286	2	(3)	285
UNDP Trust Fund for Angola	26	–	26	4	–	30

Name of trust fund	*Net assets 31 December 2013*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue/ adjustments*	*(Expenses)*	*Net assets 31 December 2014*
UNDP Trust Fund for Assistance to Refugee-Related Development Projects in Africa	(57)	–	(57)	(2)	–	(59)
UNDP Trust Fund for Community Assistance and Sustainable Reinstallation in Burundi	613	–	613	(613)	–	–
UNDP Trust Fund for Demobilization Reintegration Rehabilitation and Recovery in Sierra Leone	1	–	1	–	–	1
UNDP Trust Fund for Namibia	29	–	29	–	–	29
UNDP Trust Fund for Receipt of Payments by Users of the African Project Development Facility	1	–	1	–	–	1
UNDP Trust Fund for Rwanda	(1)	–	(1)	2	–	1
UNDP Trust Fund for Support to the Reform Agenda in Nigeria	451	–	451	–	–	451
UNDP Trust Fund for Support to the United Nations Country Team Humanitarian Assistance and Recovery Programme in Zimbabwe	(2)	–	(2)	2	–	–
UNDP Trust Fund for the Mozambique Mine Clearance Programme	296	–	296	2	(3)	295
UNDP Trust Fund for the United Nations Educational and Training Programme for Southern Africa	1 820	–	1 820	10	(776)	1 054
UNDP Trust Fund to Combat Poverty and Hunger in Africa	1 125	–	1 125	5	(815)	315
UNDP/Belgium Trust Fund for Support to the Electoral Process in South Africa	45	–	45	–	–	45
UNDP/EEC Trust Fund Agreement for the Africa 2000 Network Programme: Grants in Burkina Faso, Cameroon and Uganda	1	–	1	–	–	1
UNDP/Norway Trust Fund for Assistance to the Electoral Process in Mozambique	(370)	–	(370)	–	–	(370)
UNDP: "Appui au processus électoral en Guinée"	(1)	–	(1)	4	–	3
Total Fund Manager: UNDP Africa	**16 026**	**668**	**16 694**	**(1 333)**	**(1 914)**	**13 447**
Fund Manager: UNDP Arab States						
Arab Human Development Report	49	–	49	–	14	63
EC-UNDP: Joint electoral assistance project in Yemen	916	–	916	–	63	979
EEC/Sudan: Post-Conflict Community-based Recovery and Rehabilitation Programme	(1 189)	–	(1 189)	2 206	(1 548)	(531)
EEC: Integrated support for decentralization in Albania	89	–	89	–	–	89
EEC: Iraq: Support to Law and Justice	286	–	286	(290)	3	(1)
EEC: PAPP Governance Strategy Group Coordinator	(133)	–	(133)	351	(15)	203

Name of trust fund	*Net assets 31 December 2013*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
EEC: Projet d'appui à la décentralisation et aux collectivités locales	68	(11)	57	(56)	–	1
EEC: Somalia: Support for Rule of Law and Security in Somalia	122	–	122	–	(120)	2
EEC: Sudan: Capacity Development for Good Aid Management	(193)	–	(193)	231	8	46
EEC: Sudan: Promotion of Equality, Tolerance and Peace through the Dissemination of the Comprehensive Peace Agreement and of the Transitional Legal Framework in Southern Sudan	18	–	18	–	(7)	11
Information and Communication Technology Trust Fund for Egypt	1 890	–	1 890	174	(499)	1 565
Support to Iraq reconstruction	5 715	–	5 715	(4 459)	(950)	306
Trust Fund for Poverty Alleviation in the Arab Region	108	–	108	1	(19)	90
Trust Fund for Support of Programme Activities in the Iraq Elections	101	–	101	(101)	–	–
UNDP: Trust Fund for Somalia	1 585	–	1 585	(1 585)	–	–
UNDP: Trust Fund for the Iraq Programme	1	–	1	–	–	1
UNDP: Trust Fund for the Programme of Assistance to the Palestinian People	35 522	(35)	35 487	11 143	(17 034)	29 596
Total Fund Manager: UNDP Arab States	**44 833**	**(46)**	**44 787**	**7 736**	**(20 104)**	**32 419**
Fund Manager: UNDP Asia/Pacific						
Australian Development Assistance Bureau/UNDP Programme Trust Fund	96	–	96	1	–	97
Cambodia Climate Change Alliance Trust Fund	763	–	763	1	(677)	87
EEC: Afghanistan Trust Fund for Access to Justice at District Level	–	–	–	(3)	3	–
EEC/EU: China Biodiversity Programme	21	–	21	–	–	21
EEC: Counter-Narcotics Trust Fund in Afghanistan	–	–	–	–	5	5
EEC: Afghanistan Trust Fund for Access to Justice at District Level	–	–	–	–	(2)	(2)
EEC: Anti-Personnel Mines and Ammunition Stockpile Destruction	–	–	–	–	1	1
EEC: Capacity Strengthening Component of Rural Employment Opportunities for Public Assets	82	–	82	(67)	(8)	7
EEC: Establishment of the National Livelihood-based Food Security and Nutritional Surveillance System in Afghanistan	–	–	–	(2)	2	–
EEC: Governance for Equitable Development Strengthening Rule of Law and Civil Society Participation in China	(1)	–	(1)	–	–	(1)
EEC: Lao People's Democratic Republic: Saravane Governance, Public Administration Reform and Decentralized Service Delivery Project	110	–	110	–	(102)	8

Name of trust fund	Net assets 31 December 2013	Prior period adjustments	Adjusted opening balance	Revenue adjustments	(Expenses)	Net assets 31 December 2014
EEC: Strengthening the Capacity of the National Assembly and Supporting Lao People's Democratic Republic in the International Criminal Court	3	–	3	–	–	3
EEC: Support for durable solutions to the protracted refugees situation along the Thai/Myanmar border	321	–	321	–	–	321
EEC: Support for Improving Health, Nutrition and Population in the Chittagong Hill Tracts	304	–	304	–	(132)	172
EEC: Support for the Capacity-strengthening Component of Rural Employment Opportunities for Public Assets	32	–	32	(32)	–	–
EEC: Support for the National Initiative for Civic Education	2	–	2	–	–	2
EEC: Support for the Restoration of Tsunami-affected Livelihoods — Maldives	38	–	38	–	–	38
EEC: Support provincial governance strengthening programme in Solomon Islands	394	(2)	392	(277)	(110)	5
EEC: Support security sector review in Timor-Leste — capacity development facility	7	–	7	–	–	7
EEC: Support strengthening response to internal displacement in Mindanao	1	–	1	–	–	1
EEC: Support the justice system — activating village courts in Bangladesh	797	–	797	1 984	(2 079)	702
EEC: Support to promoting awareness and education on Avian Influenza in rural communities in Myanmar	–	–	–	12	–	12
EEC: Trust Fund for Promotion of Development and Confidence-Building in the Chittagong Hill Tracts	1	–	1	–	–	1
Law and Order Trust Fund for Afghanistan	130 954	7	130 961	368 120	(382 727)	116 354
Rehabilitation and community development in rural areas of East Timor	(84)	–	(84)	(1)	85	–
Trust Fund for Support to the Full Implementation of the Convention on Cluster Munitions in the Lao People's Democratic Republic within the Framework of the Vientiane Declaration on Aid Effectiveness	1 956	–	1 956	4 587	(3 983)	2 560
UNDP Afghanistan Emergency Trust Fund	–	–	–	(151)	–	(151)
UNDP/Lao People's Democratic Republic: Trust Fund for Clearance of Unexploded Ordnance	46	–	46	(1)	–	45
UNDP/Republic of Korea Trust Fund	431	–	431	(432)	–	(1)
UNDP/Republic of Korea Trust Fund in Support of the Tumen River Area Development Programme	338	–	338	602	(489)	451
UNDP: Counter-Narcotics Trust Fund for Afghanistan	8 122	–	8 122	(2 783)	–	5 339

Name of trust fund	*Net assets 31 December 2013*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
UNDP: Trust Fund for Support to Indonesia's Response to Climate Change	2 777	–	2 777	11	(2 173)	615
UNDP: Trust Fund for Support to the 2004 Elections in Indonesia	208	–	208	–	(116)	92
UNDP: Trust Fund to Support Capacity-Building for Governance Reform in Indonesia	174	–	174	(174)	–	–
Total Fund Manager: UNDP Asia/Pacific	**147 893**	**5**	**147 898**	**371 393**	**(392 500)**	**126 791**
Fund Manager: UNDP Bureau for Crisis Prevention and Recovery						
EC/UNDP: Collaboration to advance the post-crisis needs assessment and early recovery agendas II	34	–	34	–	–	34
UNDP: Thematic Trust Fund for Crisis Prevention and Recovery	91 560	(101)	91 459	83 899	(81 679)	93 679
UNDP: Trust Fund for Crisis Post-conflict and Recovery Situations	406	–	406	–	–	406
UNDP: Trust Fund for Sustainable Social Development, Peace and Support to Countries in Special Situations	2 334	–	2 334	17	–	2 351
Total Fund Manager: UNDP Bureau for Crisis Prevention and Recovery	**94 334**	**(101)**	**94 233**	**83 916**	**(81 679)**	**96 470**
Fund Manager: UNDP Bureau of Development Policy						
Capacity 2015 Trust Fund	31	–	31	–	–	31
Capacity 21 Trust Fund	14	–	14	(14)	–	–
EEC: ACE Electoral Knowledge Network: Practitioner's Network	1	–	1	–	–	1
Forest Carbon Partnership Facility	12 879	–	12 879	93	(1 053)	11 919
Global Capacity Development Facility	323	–	323	16	(158)	181
Integrated Framework Trust Fund for Trade-related Technical Assistance to Least Developed Countries, window 1	10	–	10	–	–	10
Integrated Framework Trust Fund for Trade-related Technical Assistance to Least Developed Countries, window 2	1 036	–	1 036	7	(2)	1 041
Multilateral Fund for the Implementation of the Montreal Protocol	94 390	–	94 390	27 230	(38 034)	83 586
Netherlands: Trust Fund for Special Action Programme for Public Administration and Management	35	–	35	–	(1)	34
Trust Fund for the Global Environmental Facility	323 088	(127)	322 961	314 740	(351 483)	286 218
Trust Fund to Combat Desertification and Drought	4 473	–	4 473	1 066	(1 710)	3 829
UNDP energy account	892	(2)	890	134	(461)	563
UNDP: Thematic Trust Fund for Democratic Governance	16 019	99	16 118	12 545	(15 460)	13 203

Name of trust fund	*Net assets 31 December 2013*	*Prior-period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
UNDP: Thematic Trust Fund on Environment	48 319	–	48 319	24 874	(6 533)	66 660
UNDP: Thematic Trust Fund on Gender	1 268	–	1 268	1 775	(1 132)	1 911
UNDP: Thematic Trust Fund on Information and Communication Technology	2 919	–	2 919	179	(1 188)	1 910
UNDP: Thematic Trust Fund on Poverty Reduction for Sustainable Development	10 868	(30)	10 838	2 377	(8 628)	4 587
UNDP: Thematic Trust Funds on HIV/AIDS	807	–	807	5	(156)	656
UNDP: Trust Fund for Public-Private Partnerships for the Urban Environment	108	–	108	183	–	291
UNDP: Trust Fund for World Summit on Social Development	3	–	3	–	–	3
Total Fund Manager: UNDP Bureau of Development Policy	**518 669**	**(60)**	**518 609**	**385 215**	**(426 545)**	**477 279**
Fund Manager: UNDP Bureau of Management						
Trust Fund for Implementation of UNDP Business Plan Initiatives 2000-2003	161	–	161	–	(71)	90
UNDP 2001 Trust Fund	527	(2)	525	2	(234)	293
UNDP/SIDA Trust Fund for Assistance to UNDP-specific Activities	3 013	–	3 013	(3 048)	36	1
UNDP/United Kingdom Trust Fund on behalf of UNSECOORD Programme for the Reinforcement of Security for United Nations Operations in Iraq	286	–	286	(286)	–	–
Total Fund Manager: UNDP Bureau of Management	**3 987**	**(2)**	**3 985**	**(3 332)**	**(269)**	**384**
Fund Manager: UNDP Bureau of Management/Division for Resource Planning and Coordination						
UNDP Trust Fund for the Developing Countries Afflicted by Famine and Malnutrition	(1)	–	(1)	–	–	(1)
Total Fund Manager: UNDP Bureau of Management/Division for Resource Planning and Coordination	**(1)**	**–**	**(1)**	**–**	**–**	**(1)**
Fund Manager: UNDP Bureau of External Relations and Advocacy						
Fonds d'affectation spécial français	465	–	465	72	(467)	70
UNDP Trust Fund for International Partnership	1 072	(1)	1 071	(130)	(451)	490
UNDP/Italy: Trust Fund for Anti-Poverty Partnership Initiatives	412	(3)	409	2	(230)	181
UNDP-South Korea: Millennium Development Goals Trust Fund for Programming Fund-based Cooperation	9 958	1 340	11 298	4 572	(7 774)	8 096

Name of trust fund	*Net assets 31 December 2013*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
UNDP Trust Fund for Private Sector in Development	1 774	–	1 774	8	(970)	812
Total Fund Manager: UNDP Bureau of External Relations and Advocacy	**13 681**	**1 336**	**15 017**	**4 524**	**(9 892)**	**9 649**
Fund Manager: UNDP Europe/Commonwealth of Independent States						
EEC (ECHO) Trust Fund for Humanitarian Aid Action to Enhance Staff Safety and Security of the United Nations and Humanitarian Agencies operating in the North Caucasus-Russian Federation	–	–	–	2	(1)	1
EEC/Croatia: Trust Fund for Income Generation and Small- and Medium-size Enterprise Support — Quick Impact Facility	4	–	4	–	(4)	–
EEC: Border Management in Central Asia (phase 7)	3	–	3	–	–	3
EEC: Enhancement of living standards in Ferghana Valley, Uzbekistan	12	–	12	(12)	–	–
EEC: Mainstreaming disaster risk management into decentralization process in Kyrgyzstan: strengthening capacities of vulnerable communities, local self-government bodies and partners to address disaster risks	(1)	–	(1)	1	–	–
EEC: Private Sector Development within the Turkish Cypriot Community	53	–	53	(30)	(23)	–
EEC: Programme supporting integrated border management systems in the South Caucasus	1	–	1	–	–	1
EEC: Promoting Integrated Water Management and Fostering Transboundary dialogue in Central Asia	37	–	37	(13)	(20)	4
EEC: Small and Medium Enterprise Development in the Southeastern Anatolia Region — Turkey	100	–	100	–	(9)	91
EEC: Small Arms Control Programme in Bosnia and Herzegovina	(68)	–	(68)	68	–	–
EEC: Strengthening National Capacities for Strategic Planning and Policy Development in Bosnia and Herzegovina	(1)	–	(1)	1	–	–
EEC: Support to Strengthening the National Preventive Mechanism according to the provisions of the Optional Protocol to the Convention against Torture	(5)	–	(5)	5	–	–
EEC: Upgrading of Local and Urban Infrastructure in Northern Cyprus	63	–	63	(63)	–	–
EEC: Upgrading the Local and Urban Infrastructure in Northern Cyprus (phase II)	118	–	118	723	(556)	285
EEC: Women and Children's Rights in Ukraine	10	–	10	(10)	–	–

Name of trust fund	*Net assets 31 December 2013*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
Trust Fund in Support of Estonia's State Programme for Integration of Non-Estonians into Estonian Society	–	–	–	2	–	2
UNDP Trust Fund for Support to Mine Action in Bosnia and Herzegovina	131	–	131	(131)	–	–
UNDP Trust Fund for Urgent Human Needs in Uzbekistan	511	(8)	503	735	(928)	310
Total Fund Manager: UNDP Europe/CIS	**968**	**(8)**	**960**	**1 278**	**(1 541)**	**697**
Fund Manager: UNDP Geneva						
UNDP Trust Fund for Advocacy	21	–	21	(22)	–	(1)
UNDP Trust Fund for Innovative Partnerships with National Governments, Local Authorities, Private Sector, non-governmental organizations, Academic Institutions and Foundations	14 450	69	14 519	885	(4 827)	10 577
Total Fund Manager: UNDP Geneva	**14 471**	**69**	**14 540**	**863**	**(4 827)**	**10 576**
Fund Manager: UNDP Latin America and the Caribbean						
EC: Strengthening the National Capacity for disaster prevention and preparedness in the Dominican Republic	(42)	–	(42)	41	–	(1)
EEC: Appui des élections locales, législatives et présidentielles en Haïti	1	–	1	(1)	–	–
EEC: Barbados/Overseas Territories of the Caribbean Regional Risk Reduction Initiative	(49)	–	(49)	–	(2)	(51)
EEC: Ecological and financial sustainable management of the Guiana Shield Eco-region, Guyana	390	–	390	113	(202)	301
EEC: Hurricanes Fay, Gustav, Anna and Ike in Haiti — Support to a joint Post Disaster Needs assessment and recovery planning exercise	1	–	1	–	–	1
EEC: Rural Electrification Programme in the Dominican Republic based on renewable energy sources	471	23	494	–	(111)	383
EEC: Support to Caribbean Regional Assistance Centre	5	–	5	(1)	(4)	–
EEC: Support to Prevention of the Diversion of Chemical Precursors for the Scope of Drug Manufacturing in the Andean Countries	221	–	221	–	–	221
EEC: Support to the Caribbean Regional Technical Assistance Centre	55	–	55	(28)	(27)	–
EU: Electoral Observation Mission to El Salvador, 2009	(27)	–	(27)	27	–	–
International Commission Against Impunity in Guatemala	5 023	–	5 023	9 560	(10 341)	4 242
Programme for Democratic Development in Latin America	5	–	5	(5)	–	–
UNDP Trust Fund for Assistance to the Haitian National Police	13	–	13	(12)	–	1
UNDP/Spain: Trust Fund for Integrated and Inclusive Development	5 690	2	5 692	27	(3 422)	2 297

Name of trust fund	*Net assets 31 December 2013*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue adjustments*	*(Expenses)*	*Net assets 31 December 2014*
UNDP/Spain: Trust Fund for Support to the Governance in Central America	16	–	16	(16)	–	–
Total Fund Manager: UNDP Latin America and the Caribbean	**11 773**	**25**	**11 798**	**9 705**	**(14 109)**	**7 394**
Fund Manager: UNDP Office of Evaluation						
Norway Trust Fund for Evaluation Office of UNDP	60	–	60	(59)	–	1
Total Fund Manager: UNDP Office of Evaluation	**60**	**–**	**60**	**(59)**	**–**	**1**
Fund Manager: UNDP Technical Cooperation among Developing Countries						
India, Brazil and South Africa Facility	13 147	(1)	13 146	1 887	(3 076)	11 957
Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries	7 060	–	7 060	275	(279)	7 056
UNDP Trust Fund for the Promotion of South-South Cooperation	5 754	–	5 754	2 065	(3 337)	4 482
Total Fund Manager: UNDP Technical Cooperation among Developing Countries	**25 961**	**(1)**	**25 960**	**4 227**	**(6 692)**	**23 495**
Grand total trust funds	**892 655**	**1 885**	**894 540**	**864 133**	**(960 072)**	**798 601**

Abbreviations: CNIDAH, Comissão Nacional Intersectorial de Desminagem e Assistência Humanitária; ECHO, European Community Humanitarian Office; ECOWAS, Economic Community of West African States; EEC, European Economic Commission; PAPP, Programme of Assistance to the Palestinian People; SIDA, Swedish International Development Cooperation; UEMOA, West African Economic and Monetary Union; UNSECOORD, United Nations Security Coordinator.

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